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GUSTAV SCHMOLLER

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# THE MERCANTILE SYSTEM AND ITS HISTORICAL SIGNIFICANCE

ILLUSTRATED CHIEFLY FROM PRUSSIAN HISTORY

BEING A CHAPTER FROM THE  
*STUDIEN UEBER DIE WIRTHSCHAFTLICHE POLITIK*  
*FRIEDRICHS DES GROSSEN*

BY

GUSTAV SCHMOLLER

1884

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GUSTAV SCHMOLLER was born at Heilbronn in Württemberg on June 24, 1838. After studying at the University of Tübingen, he became in 1864 extraordinary, and in 1865 ordinary, Professor of the Political Sciences (*Staatswissenschaften*) at the University of Halle. In 1872 he was appointed Professor at the reorganised University of Strassburg, and in 1882 was summoned to succeed Adolf Held at the University of Berlin. In 1887 he was elected a Member of the Prussian Academy of Sciences, and also appointed Historiographer for Brandenburg.

Professor Schmoller was one of the leading promoters of the Eisenach Congress "for the discussion of the Social Question" (*Zur Besprechung der sozialen Frage*), and delivered the opening address at its first meeting on Oct. 6, 1872: he took part in the foundation on that occasion of the Association for Social Politics (*Verein für Sozialpolitik*), and has exercised great influence over its subsequent action. Since 1878 he has edited a substantial series of *Investigations in Political and Social Science* (*Staats- und Sozialwissenschaftliche Forschungen*), largely the work of his pupils; and from 1881 onward he has conducted the *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im deutschen Reiche*.

His most important writings hitherto have been the following: *Contributions to the History of Economic Opinions in Germany during the Reformation* (*Zur Geschichte der nationalökonomischen Ansichten in Deutschland während der Reformationsperiode*, in the *Tübingen Zeitschrift für Staatswissenschaft* 1860, and separately Tübingen, 1861); *Contributions to the History of the Small Industries of Germany in the 19th Century* (*Zur Geschichte der deutschen Kleingewerbe im 19. Jahrhundert*, Halle, 1870); *On certain Fundamental Questions of Law and Economy: An Open Letter to Professor Treitschke* (*Ueber einige Grundfragen des Rechts und der Volkswirtschaft: Ein offenes Sendschreiben an Herrn Professor Dr. Heinrich von Treitschke*, Jena, 1875); *The Strassburg Gild of Drapers and Weavers* (*Die Strassburger Tucher- und Weberzunft*, Strassburg, 1879); *Studies in the Economic Policy of Frederick the Great* (*Studien über die wirtschaftliche Politik Friedrichs des Grossen*, in his *Jahrbuch* 1884, 1886, 1887, and separately); *Contributions to the Literary History of the Political and Social Sciences* (*Zur Litteraturgeschichte der Staats- und Sozialwissenschaften*, Leipzig, 1888); *Speeches and Essays on Modern Questions of Social and Industrial Policy* (*Zur Sozial- und Gewerbepolitik der Gegenwart: Reden und Aufsätze*, Leipzig, 1890); *The Historical Evolution of Business Undertaking* (*Die geschichtliche Entwicklung der Unternehmung*, in his *Jahrbuch* for 1890 and subsequent years); and an article on *Economic Doctrine and Method* (*Volkswirtschaft, Volkswirtschaftslehre und -methode*, contributed in 1893 to Conrad's *Handwörterbuch der Staatswissenschaften*). His scientific and literary activity

has been incessant and wide-reaching : a list of his writings down to 1893 will be found in the article devoted to him by Dr. Lippert in Conrad's *Handwörterbuch*, which has been freely drawn upon for the foregoing account.

The Essay on the *Mercantile System* here translated, with the author's sanction, by the editor of this series, forms the introduction to his *Studies in the Economic Policy of Frederick the Great* : it is dated Sept. 30, 1883, and was published in the first issue of his *Jahrbuch* in 1884. To this have been added in Appendix I., as dealing with the same general theme, some pages from his *Report* on the volumes of *Acta Borussica* which deal with the Silk Industry, read before the Berlin Academy of Sciences on April 21, 1892, and published in the Munich *Allgemeine Zeitung* for May 19 and 23, 1892, and afterwards separately. The aim of the translator has been to present the argument in idiomatic English ; and he has not hesitated to occasionally sacrifice shades of meaning which could not be rendered without making the version inconveniently cumbrous.

For the convenience of readers, a list of the territorial possessions of the House of Hohenzollern in the sixteenth and seventeenth centuries has been added in Appendix II., and their geographical position has been indicated on the map at the end of the volume. And since the author's illustrations of his general thesis are taken chiefly from German and Prussian history, a number of notes have been added throughout to explain technical expressions and suggest English parallels. The view of the eighteenth century taken by the author should be compared with that of the late Sir John Seeley, in *The Expansion of England*.

Professor Schmoller is the leader of what is known as "the younger Historical School of German Economists." It has been his endeavour, as he declared in 1887 on entering the Berlin Academy, to be both an Economist and a Historian, and the task that has always floated before his eyes has been "to really accomplish what Hildebrand, Knies, and Roscher attempted." The Essay here presented is a most characteristic piece of his work ; and it is an example of a kind of teaching that is exercising great influence in Germany over the minds of economists, of politicians, of officials, and of the educated public. For these reasons it merits attention, whatever judgment may be arrived at concerning the validity of the argument.

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MAP.





## THE MERCANTILE SYSTEM AND ITS HISTORICAL SIGNIFICANCE.

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To pass judgment as economists upon a whole historical period necessarily involves a comparison of it with what preceded and what followed; involves, that is to say, our understanding it as occupying a place in some larger movement of economic evolution. One naturally begins, therefore, by thinking of the various ways in which men have hitherto attempted to picture to themselves the development of the nations, and thereby to comprehend it in a complete theory. They have either fastened upon the parallel between the life of a people and the life of an individual; or they have conceived of a series of stages, in which (1) pastoral life, (2) agriculture, (3) industry, and (4) trade, or (*a*) barter, (*b*) the use of currency, and (*c*) trade resting upon credit, have followed one another in orderly succession. These are conceptions which do, indeed, each take hold of one portion of the contents of the process of economic evolution, and for the comparison with one another of many periods and communities they are appropriate enough; but with regard to the particular matter we have now in hand, the mercantile system, they give us little help, and may even lead us astray. And it is also clear that we could, with equal

propriety, construct other formulæ, taken from the history of the population, of the settlement of the country, of the division of labour, of the formation of social classes, of the processes of production, or of the means of communication; and that each of these, so far as it went, and all of them, — together with those before mentioned, — would be of service for the creation of a complete theory of the development of mankind. But none of these sequences of thought seems to me anything like so important and significant as that which I shall venture to put in the foreground, as a means of setting the mercantile system in its true light. What I have in mind, is the connection between economic life and the essential, controlling organs of social and political life, — the dependence of the main economic institutions of any period upon the nature of the political body or bodies most important at the time.

In every phase of economic development, a guiding and controlling part belongs to some one or other political organ of the life of the race or nation. At one time it is the association of the kindred or tribe; at another the village or mark; now it is the district, and then the state or even a federation of states, which plays this part. It may or may not coincide substantially with the contemporary organisation of the state or of national, intellectual, or religious life; nevertheless it rules economic life as well as political, determines its structure and institutions, and furnishes, as it were, the centre of gravity of the whole mass of social-economic arrangements. Of course it is not the only factor that enters into the explanation of economic evolution; but it appears to me the fullest in meaning, and the one which

exercises the most penetrating influence upon the various forms of economic organisation that have made their appearance in history. In association with the tribe, the mark, the village, the town (or city), the territory, the state, and the confederation, certain definite economic organisms have been successively evolved of ever wider scope: herein we have a continuous process of development, which, though it has never accounted for all the facts of economic life, has, at every period, determined and dominated it. Within the village, the town, the territory, and the state, the individual and the family have retained their independent and significant position; division of labour, improvement of the currency, technical advance, have each pursued their course; the formation of social classes has gone on in particular directions; and yet economic conditions have, throughout, received their peculiar stamp from the prevalence at each period of a village economy, a town economy, a territorial economy, or a national economy; from the splitting-asunder of the people into a number of village- and town-economies loosely held together, or from the rise of territorial or national bodies which have taken up into themselves and brought under their control the earlier economic organs. Political organisms and economic organisms are by no means necessarily conterminous; and yet the great and brilliant achievements of history, both political and economic, are wont to be accomplished at times when economic organisation has rested on the same foundations as political power and order.

The idea that economic life has ever been a process mainly dependent on individual action,—an idea based

on the impression that it is concerned merely with methods of satisfying individual needs,—is mistaken with regard to all stages of human civilisation, and in some respects it is more mistaken the further we go back.

The most primitive tribe of hunters or shepherds maintains its existence only by means of an organisation based on kinship, wherein union for purposes of defence, joint journeyings to summer and winter pastures, communistic acquisition for the benefit of the whole tribe, communistic guidance by the tribal prince, play the most important parts. The first settlement and occupation of the soil is never a matter for individuals, but for tribes and clans. Then, while the life of religion, of language, of war, and of politics remains common for wider circles, the centre of gravity of economic life passes to the mark<sup>1</sup> and the village.

<sup>1</sup> [What is known as "the mark theory" was elaborated, with special regard to Germany, by Georg von Maurer in his *Einleitung zur Geschichte der Mark-, Hof-, Dorf- und Stadtverfassung* (1854) and a series of subsequent works, and was accepted, popularised, and generalised by Sir Henry Maine in his *Village Communities in East and West* (1871). Since the present essay was written (1883), the confidence of many scholars in the theory has been seriously shaken in various ways by the works of Mr. Frederick Seebohm, *The English Village Community* (1883), and M. Fustel de Coulanges, *Recherches sur quelques Problèmes d'Histoire* (1885), and *Origin of Property in Land* (Eng. trans. by Mrs. Ashley, 1891). These have certainly shewn the scantiness and uncertainty of the evidence for *free* village communities *owning* in common the land they cultivated, in the early Middle Ages. But even if early mediæval villages were usually "under a lord" or "communities in serfdom," the character of their economic life was substantially that described in the text. As to the *self-sufficiency* of the manorial group see Ashley, *Economic History* (1888), i. pt. i, § 5, and Cunningham, *Introduction to Walter of Henley* (ed. by Miss Lamond, 1890). For a recent restatement of "the characteristics of the ancient village community," and its relation to the city-state of the ancient world, see W. W. Fowler, *The City-State of the Greeks and Romans* (1893).]

They become the bodies which for centuries rule the economic life of the mass of the people. The individual possesses, in the way of house and yard, garden and fields, only what the mark- or village-community concedes to him and under the conditions it allows; he uses the pasture and the wood, the fisheries, and the hunting-ground on such terms as the commune (*Gemeinde*) permits; he ploughs and reaps as the village-community desires and ordains.<sup>1</sup> It is hardly possible for him to come into closer intercourse with outsiders; for to remove any of the products, whatever they may be, derived directly or indirectly from the common land, is forbidden.<sup>2</sup> To take wood from the common forest can only be allowed so long as no one exports wood or charcoal or tar; to turn out cattle at pleasure on the common pasture can only be recognised as a right when every one is feeding his own cattle for his own use and not for strangers. To alienate land to a non-member of the community is forbidden; and, indeed, as a rule, all sorts of formalities are put in the way even of the free *yardling* (*Hufner*)<sup>3</sup> who wishes to

<sup>1</sup> [On the nature and limitations of village "communalism" in the English Middle Ages, see Pollock and Maitland, *History of English Law* (1895), i. 614-623.]

<sup>2</sup> Something of this kind survived even in the towns. Thus, according to a rule of 1204, the men of Lübeck are not *passim et sine necessitate* to sell their ships and build new ones at home, nor are they to export wood for sale,—because of their right to cut wood. *Lüb. Urkundenbuch*, p. 17, Urk. xii.

<sup>3</sup> [The most common equivalent in the English of the later Middle Ages for the German *Hufe* and *Hufner* were *yardland* and *yardling*, answering to the Latin *virgata* and *virgarius*. For the "grades in the hierarchy of tenants," cf. W. Roscher, *Nationalökonomik des Ackerbaues*, § 73 (12th ed.), p. 267, with F. Seeböhm, *English Village Community*, *passim*, and especially p. 29.]

leave the village. The village is an economic and commercial system complete in itself, and closed against the outside world. Its old constitution has to be broken up by the creation of great states and by other forces, before another and higher development of economic life can make its appearance.

As the village, so likewise does the town, — and even more conspicuously, — grow into an economic body (or organism), with a peculiar and vigorous life of its own, dominating every particular. To begin with, the choice of a locality, the laying-out of the plan, the construction of roadways, of bridges, and of walls; then the paving of the streets, the bringing of water, and the setting-up of lights; and, finally, the common arrangements which are necessary for the market, and which lead to common market-houses, public scales, etc. — these, together with the close juxtaposition of residences, and the higher forms of division of labour, of currency, and of credit, all create a mass of uniform, common institutions, and bring about an association of a far closer character than before. This necessarily makes itself felt both inside and outside the town. For centuries economic progress is bound up with the rise of the towns and the formation of civic institutions. Each town, and especially each of the larger towns, seeks to shut itself up to itself as an economic whole, and, at the same time, in its relation to the outside world, to extend the sphere of its influence, both economic and political, as far as possible. It is not without significance, that, during a considerable period of ancient and of mediæval history, all complete political structures were city-states, in which



political and economic life, local economic selfishness and political patriotism, political conflict and economic rivalry, all coincided. The economic policy of the German towns of the Middle Ages, and their economic institutions, have played so controlling a part in German life down to the seventeenth and eighteenth centuries, they project themselves, so to speak, in so many directions, into our own time, that we must pause a moment to speak of them more at length.

How

Not only separate jurisdiction (*Immunität*), but also the right of holding a market, of collecting tolls, and of coining money, were, from early times, the privileges of the growing urban communities. This exceptional position was strengthened by the abolition of payments and services in kind, as well as by the legal advantages flowing from the principle that "town-air makes free"; and, finally, by the conquest of the right of self-government and legislation by the town council.<sup>1</sup> Each separate town felt itself to be a privileged community, gaining right after right by struggles kept up for hundreds of years, and forcing its way, by negotiation and purchase, into one political and economic position after the other. The citizen-body looked upon itself as forming a whole, and a whole that was limited as narrowly as possible, and for ever bound together. It received into itself only the man who was able to contribute, who

<sup>1</sup> [For some account in English of recent German investigation and discussion concerning the origin of municipal institutions, recourse may be had to the review of Professor Hegel's work by Keutgen, in the *English Historical Review*, Jan., 1893, and to that of Professor von Below's pamphlets by Ashley, in the *Economic Journal*, June, 1894.]

satisfied definite conditions, proved a certain amount of property, took an oath and furnished security that he would stay a certain number of years. It released from its association only the man who solemnly abjured his citizenship before the council, who swore that he would bear his share of responsibility for the town's debts, and contribute to the taxes of the town for a number of years, and who handed over to the town ten per cent. of his property. The omnipotence of the council ruled the economic life of the town, when in its prime, with scarcely any limit; it was supported in all its action by the most hard-hearted town selfishness and the keenest town patriotism, — whether it were to crush a competing neighbour or a competing suburb, to lay heavier fetters on the country around, to encourage local trade or to stimulate local industries.

Market-rights, toll-rights, and mile-rights (*Meilenrecht*)<sup>1</sup> are the weapons with which the town creates for itself both revenue and a municipal policy. The soul of that policy is the putting of fellow-citizens at an advantage, and of competitors from outside at a disadvantage. The whole complicated system of regulations as to markets and forestalling is nothing but a skilful contrivance so to regulate supply and demand between the townsman who buys and the countryman who sells, that the former may find himself in as favourable a position as possible, the latter in as unfavourable as possible, in the business of bar-

<sup>1</sup> [This was the rule which forbade craftsmen from carrying on particular industries within a certain distance of the town. Cf. the cases of York and Nottingham in respect to the manufacture of cloth, in Ashley, *Economic History*, i. pt. ii. (Amer. ed. vol. ii.), p. 29.]



gaining. The regulation of prices in the town is, to some extent, a mere weapon against the seller of corn, wood, game, and vegetables from the country; just as the prohibition of certain industries or of trade in the rural districts, and the restrictions placed upon peddling were intended to serve municipal interests. The acquisition by the town of crown-rights (*Regalien*)<sup>1</sup> was utilised, in the first instance, to bring about a reconstruction of these regulations for the benefit of the town. Thus the market-toll was usually abolished so far as burgesses were concerned, and only retained for the countryman and the unprivileged "guest" (*Gast*).<sup>2</sup> A complicated system of differential tolls was everywhere devised, by which some towns were favoured and others put at a disadvantage, in each case either in return for corresponding concessions or in accordance with the varying hopes or fears to which trade gave rise. The same purpose was served by the acquisition, wherever possible, of rights of toll on rivers and highroads in the neighbourhood. Day by day, as need arose, particular articles had heavier dues imposed upon them, or were forbidden for one or more market days, or excluded altogether; the importation of wine and beer, for instance, from towns in the vicinity was prohibited or restricted on countless occasions. The prohibition of the export of grain, wool, and woolfells was among the most usual means for regulating the local market in the local

<sup>1</sup> [*Regalien*, in Germany, *droits régaliens*, in France, were rights regarded as peculiarly attached to the sovereign authority, such as the levying of taxes, the coining of money, etc.]

<sup>2</sup> [Compare the treatment of "foreigners" in English towns; Gross, *Gild Merchant*, i. 43; Ashley, *Economic History*, i. pt. ii. (Amer. ed. vol. ii.), § 25.]

interest; and it constantly led to a complete stoppage of trade. Such a stoppage was the severest method of coercion that could be employed in the competitive struggle; and, though it frequently hurt those who resorted to it, it was also often employed, especially by the stronger party, with great success and profit to itself. The limitation of the exportation of the currency and of the precious metals frequently occurs in the case of the towns as early as the thirteenth century. In intermunicipal commerce we find the first germ of the theory of the balance of trade. It is to be seen in the efforts the towns were constantly making to bring about a direct exchange of wares, and to render this compulsory, — as in the Baltic trade, — by statutes and ordinances which aimed at preventing the regular flow of the precious metals to foreign countries.

All the resources of municipal diplomacy, of constitutional struggle between the Estates (*Stände*),<sup>1</sup> and, in the last resort, of violence, were employed to gain control over trade-routes (*Strassenzwang*) and obtain staple rights<sup>2</sup>: to bring it about that as many routes as possible should lead to the town, as few as possible pass by; that through traffic, by caravan or ship, should, if possible, be made to halt there, and goods *en route* exposed, and offered for sale to

<sup>1</sup> ["An assembly of Estates is an organised collection, made by representation or otherwise, of the several orders, states, or conditions of men who are recognised as possessing political power;" Stubbs, *Constitutional History of England*, ii. § 158. The reference in the text is to the efforts of the towns to secure advantages by concerted action in the imperial Diet or in the territorial assemblies.]

<sup>2</sup> [The staple rights of German towns differed from the English staple in that they were maintained primarily in the interests of the several towns. Their nature is explained in the sentence next but one in the text.]

the burgesses. The whole well-rounded law as to strangers or "foreigners" (*Gast- oder Fremdenrecht*) was an instrument wherewith to destroy, or, at all events, to diminish the superiority of richer and more skilful competitors from outside. Except during a fair, the foreigner was excluded from all retail trade, allowed only to remain a certain time, and prohibited from lending money to or entering into partnership with a burgess. He was burdened with heavier dues,—fees for setting up a stall, for having his goods weighed, and for the services of brokers and exchangers. The gild-organisation, which arose out of local market-privileges, and was formed with local objects, reached its aim,—which was to ensure to each master and each craft a livelihood suitable to their station in life,—chiefly by the readiness of the town council, whenever it appeared to them necessary, to limit for a season, or permanently, the entrance into the town of bread and flesh, beer and wine, and wares of all kind from far or near, as well as to forbid, for a year or more, the admission of new masters to a particular occupation. In short, the town market formed a complete system of currency, credit, trade, tolls, and finance, shut up in itself and managed as a united whole and on a settled plan; a system which found its centre of gravity exclusively in its local interests, which carried on the struggle for economic advantages with its collective forces, and which prospered in proportion as the reins were firmly held in the council by prudent and energetic merchants and patricians able to grasp the whole situation.

What, then, we have before our eyes in the Middle Ages are municipal and local economic centres whose whole

economic life rests upon this, — that the various local interests have, for the time, worked their way into agreement, that uniform feelings and ideas have risen out of common local interests, and that the town authorities stand forward to represent these feelings with a complete array of protective measures; measures that differed, of course, from place to place and from period to period, according as the provision of the local market or the prosperity of a particular industry or trade seems to be most important at the time. ( The whole of this municipal economic policy, with all its local partiality, was justified so long as the progress of civilisation and of economic well-being depended primarily on the prosperity of the towns. This prosperity could rest upon no other “mass-psychological cause-complex” than corporate selfishness: and new economic structures could arise only in oases thus privileged, and not on the broad bases of whole states. So long as this selfish feeling of community within comparatively narrow circles also brought about an energetic movement forward, it justified itself, in spite of a coarseness and violence which we to-day not only disapprove but even scarcely understand:<sup>1</sup> not until the system began to support an easy luxuriousness and sloth did it degenerate. It had then to be replaced by other mass-psychological elements and processes, and by other social forms and organisation. —

<sup>1</sup> We may remember the armed forays of gildsmen to hunt down those who ventured to work surreptitiously at crafts in the country districts (*Bönhasen*, as they were called in low German), the innumerable military expeditions, sieges, and devastations of towns, caused by mutual trade jealousy, as well as the destruction of suburbs for the same reason, such as must be laid to the charge of Danzig in 1520, 1566, and 1734, and of Magdeburg during the Thirty Years' War.

Some limitations were, doubtless, always imposed on communal selfishness by the legal and moral ties created by the common life of the church, by the existence of the German empire, and, so far as the rural districts were concerned, by the power of the territorial principalities, which early began to make their appearance. But in the earlier period these limitations were so lax, so meaningless, that they were scarcely regarded, so long as neither empire, church, nor territory had given birth to any economic life of its own or any powerful economic organisation. With the transformation and enlargement of commerce, the growth of the spirit of union, and the consciousness of interests common to whole districts, with the augmented difficulties in the way of a proper organisation of economic life on the basis merely of town and village interests, and the increasing hopelessness of victory over the anarchy of endless petty conflicts, efforts and tendencies everywhere made their appearance towards some larger grouping of economic forces.

The town-leagues, reaching over the heads of the princes and of the inhabitants of the rural districts, but still maintaining the old, selfish policy towards the country immediately around, aimed at satisfying certain farther-reaching interests and needs of trade; but such an attempt could not permanently succeed. The greater cities sought to widen themselves into territorial states by the acquisition of villages, estates, lordships, and country towns. In this the great Italian communes succeeded completely, certain Swiss towns and German imperial cities at least in part;

some also of the more vigorous Dutch provinces, though they were not so originally, came to be hardly distinguishable from enlarged town-territories. In Germany, however, it was, as a rule, the territorial principedom, founded on the primitive association of the tribe, and, resting on the corporate Estates of communes and knights, which created the new political unit,—a unit which had for its characteristic the association of town *and* country, the association of a large number of towns on one side, and, frequently, on the other side, of several hundred contiguous square miles of country subject to the same authority. During the period from the fifteenth to the eighteenth century, these territories, in constant struggle with other institutions, grew not only into political but also into economic bodies. It was now the territorial organism that carried progress forward, and formed the vehicle of economic and political development. Territorial institutions now became the main matters of importance, just as municipal had been; like them, they found a centre round which to gravitate; and they sought to shut themselves off from the outer world, and to harmonise and consolidate their forces at home. And thus arose an enclosed territorial area of production and consumption, a territorial division of labour, a territorial system of measures and weights and currency, — an independent territorial economic body, which had its own centre of gravity, was conscious of it, and acted as a unit in accordance therewith.

No doubt this policy was pursued with varying vigour and success in the different territories. Where the impulse was given by a highly-developed and all-powerful industrial



or commercial town,—as in the cases of Florence, Milan, and Venice,—there we very early find an economic policy pursued with great success; a policy which rose out of the older municipal interests, and which performed wonders. The House of Luxemburg, in Bohemia, and the House of Burgundy, in Flanders and on the lower Rhine, were, also, both of them able at an early period to guide their lands in the direction of a territorial policy on a large scale. But, in Germany, most of the princes were without the extensive dominions necessary for the purpose: in some places the towns, in other the knights, remained outside the new territorial commonweal. The most distinguished princes at the beginning of the sixteenth century, those of the Saxon house, were the lords of lands scattered in fragments all along the military thoroughfare of central Germany, from Hesse to Silesia; and, to make things worse, frequently partitioned these lands among the various branches of the family. And even what one of the Saxon princes happened to rule at any particular time was made up of a number of separate districts, geographically distinct. The situation of the other territories had much the same disadvantages.

Yet grave as were these difficulties, and obstinate as was the conservative opposition of the older economic institutions, especially those of the towns, we cannot help seeing, in all directions, that the necessities of real life were relentlessly driving society toward the territorial organisation. The old forms of loose combination characteristic of the Middle Ages, like the town-leagues and alliances to maintain the public peace, the town toll-system and staple,

the town currency, the everlasting hostility of town and country, all the old mediæval corporations, these became every day greater hinderances in the way of trade and economic progress. People had to get free from them and make their way to larger unities, to associations of districts, and to more far-sighted coalitions of interests, such as were to be found in the territorial assemblies (*Landtage*) and at the courts of the princes. The more completely the princely territories coincided with old boundaries and primitive tribal feelings; the stronger happened to be the system of parliamentary Estates binding, first, towns together and nobles together, and then the whole municipal estate to the whole estate of the nobles; the more intelligent and forceful were the princes who guided the movement, with frugal and competent officials to help them; the quicker proceeded the process of economic assimilation. To be sure it never ran its course without meeting with the bitterest opposition.

What trouble the Hohenzollern princes<sup>1</sup> in Brandenburg had before they subjected to themselves, even externally and in military matters, the nobles and towns of the land! The severance of the Brandenburg towns from the Hanseatic League and the abolition of their independent right of alliance were barely accomplished during the years 1448 to 1488. The towns did not, however, surrender the right to pursue an independent commercial policy till long after this. The very important treaties with regard to the

<sup>1</sup> [The reader may be assisted in following the course of the subsequent argument by referring from time to time to the list of territories subject to the house of Hohenzollern given in Appendix II.]



Frankfurt Staple (1490–1512) were certainly afterwards confirmed by the princes concerned. But the initiative still came from the towns; and this independence was retained as late as the Thirty Years' War, though in a lessened measure, and with increasing moderation and prudence in its exercise. Throughout the sixteenth century we find the princes of Brandenburg and their neighbours giving their attention more and more closely to matters of this kind. In the commercial controversies between Pomerania and Brandenburg (1562 and 1572), both the princely and the municipal authorities took part, although it was Frankfurt and Stettin that engaged in the trial before the Imperial Chamber (*Reichskammergericht*). The treaties of mutual defence with towns in other territories like Lüneburg,<sup>1</sup> — which were made as late as the time of Joachim I. of Brandenburg, — seemed in the next period no longer suitable, since they aroused the distrust of the Lüneburg princes. As the maintenance of the public peace passed into the hands of the princes, to them, and not to the towns, it fell to negotiate with one another for its strict preservation; for instance, in the treaty between Brandenburg and Pomerania of July 29, 1479,<sup>2</sup> and that between Brandenburg and Magdeburg of July 24, 1479.<sup>3</sup> The negotiations for commercial treaties, as well as the signature of the treaties themselves, between Brandenburg and Poland in 1514,<sup>4</sup> 1524–27,<sup>5</sup> 1534,<sup>6</sup> and 1618,<sup>7</sup> were the work of the

<sup>1</sup> 1484: Riedel, *Cod. dipl. brandenb.* ii. 5, 417. 1501: *ib.* ii. 6, 177.

<sup>2</sup> *Ib.* ii. 5, 305. <sup>3</sup> *Ib.* ii. 5, 302.

<sup>4</sup> *Ib.* iii. 3, 248 and ii. 6, 258.

<sup>5</sup> *Ib.* i. 23, 426 and ii. 6, 346.

<sup>6</sup> *Ib.* iii. 387.

<sup>7</sup> Oelrichs, *Beiträge zur brandenburgischen Geschichte*, 265.

princes and not of the towns. At the congresses to deal with the navigation of the Elbe and Oder in the sixteenth century, some of the ambassadors came from Frankfurt but it was those sent by the elector who led the discussion. The treaty with "the common merchant" about transit through the Mark of Brandenburg was made by Joachim I. and not by the Brandenburg towns.<sup>1</sup> In short, the representation of the country in the way of commercial policy passed over, slowly but surely, from the towns to the princely government. And if, in spite of this, the impression spread, about 1600, that all the trade of the country was coming to grief, the explanation is not to be found in this transference, but in the fact that the prince's policy was too feebly pursued, and that he was really at a disadvantage in dealing with Saxony, Silesia, Magdeburg, Hamburg, and Poland.

While thus the authority of the territorial prince (*Landeshoheit*), — the *jus territorii et superioritatis*, — received a new meaning in relation to the representation of economic interests towards the world outside, it is a still more important fact that, within the country itself, the territorial government pushed on energetically, by means of resolutions of the Estates and ordinances of the prince towards the creation of new law. It was not as if there had not already been, here and there, a territorial law. In the land of the Teutonic Order the *Handfeste*<sup>2</sup> of Kulm had been in existence since 1233; in the principality of Bres

<sup>1</sup> Berl. St. Archiv. R. 78, 29. Fol. 62.

<sup>2</sup> [*Handfeste*, a term derived from the impressing of the thumb on wax at the foot of a document, instead of a seal, was used for various kinds of public documents, among others, for territorial ordinances.]

au, the "law of the country" (*Landrecht*) since 1346. But local law was everywhere the stronger. Not till the fifteenth and sixteenth centuries did the judicial decrees of the courts of the princes of the land, the so-called "laws of the land" (*Landrechte*), the state ordinances, the territorial police regulations, and so on, begin their victorious career. An indisputable need shewed itself for a new law, dealing with civil and criminal matters, succession and procedure, and common to the whole country. Out of the exercise of the princely *regalia* sprang ordinances for the forests, for hunting, for fishing, for mining, for the use of streams, for navigation, and for the construction of dikes; ordinances which were applicable to the whole country, and supplied its economic life with uniform rules. The new life of the press, of the reformed faith, of the newly-instituted schools, and of the system of poor-relief, received, not a local, but a territorial organisation, by means of a legislation which soon began to penetrate pretty far into matters of detail. No less need for territorial legislation was seen in regard to trade and industry, weights and measures, currency and highways, markets and fairs.

But this construction of new territorial law was brought about, and the law itself enforced, in very different ways in the various lands. While the state of the Teutonic Order, as early as the fourteenth and fifteenth century, shewed some fair beginnings of such a legislation; while the larger states of Southwestern Germany, in consequence of their higher economic development and earlier civilisation, shewed, towards 1500 and during the course of the sixteenth century, much more extensive activity in this

respect; Brandenburg, Pomerania, and other northern territories lagged behind. We must, of course, allow that in Brandenburg the new judicial tribunal (*Kammergericht*),<sup>1</sup> created under the influence of the ideas of centralisation characteristic of Roman law, as well as the *Joachimica*,<sup>2</sup> and, somewhat later, various influential legal writings, like the *Consuetudines* of Scheplitz<sup>3</sup> tended towards legal uniformity; nevertheless Brandenburg did not arrive, during this period, at a recognised "law of the land," or at a generally accepted regulation of the relations between peasants and their manorial lords. The attempt, during the years 1490-1536, to bring the towns under rules of police and administration which should be uniform for the whole territory, was only partially and temporarily successful; and Stettin, Stralsund, and other towns in Pomerania, Königsberg in Prussia, and the "old town" of Magdeburg in the archbishopric retained almost down to 1700 a position of independence like that of imperial cities. The admonition, found in the general ordinances of police which were directed to the towns of Brandenburg from 1515 onward, that the Berlin ell should be the regular measure of length all over the land, the Erfurt pound for the weight of wax and spices, and the weights of Berlin for meat, copper, tin, and heavy wares, remained for some time but a pious wish. Even two

<sup>1</sup> [1516 is commonly assigned as the date of its establishment. For an account of it in English, see Tuttle, *History of Prussia, to the Accession of Frederick the Great*, p. 78.]

<sup>2</sup> [The *Constitutio Joachimica* was issued in 1527 by Joachim I. It regulated family law and the law of inheritance.]

<sup>3</sup> [1566-1634.]

generations later, the most that the Elector Augustus of Saxony had succeeded in securing was the use of the Dresden bushel on his demesne estates.

While, for instance, in Würtemberg the so-called "ordinances of the land" (*Landesordnungen*) in rapid succession, from 1495 onward, had, with ever widening scope, brought the economic activity of the country within their regulating lines, so that a whole series of the most important crafts were subjected to ordinances common to the whole duchy even before the Thirty Years' War (such as the butchers, the bakers, the fishmongers, the cloth-makers, the copper-smiths, the pewterers, the workmen in the building trades, and, in 1601, even the whole body of merchants and dealers), and thus the whole land had already obtained an economic unity; we find in Brandenburg, during this period, only one or two quite isolated wild statutes issued by the princes that were not of purely local nature, — such as that for the weavers of the New Mark, that for the linenweavers of the whole Mark, and that, about 1580, for the skinners and linenweavers of a number of towns together. The only evidence of any tendency towards territorial unity is to be found in the circumstances that, from 1480 onward, it was usual to seek the confirmation of the prince, as well as of the town council, for the statutes of every local guild (*Innung*); and that from about 1580 the prince's chancery began gradually to add to the confirmation a clause as to the power of revocation. This, however, was not the regular practice till after 1640; and it was not till 1690–1695 that the right was actually made

use of. The practice of granting to the several artisan associations charters drawn up in identical terms dates from 1731.

Like the separate local gild privileges, the local town privileges still maintained themselves unimpaired; the most that could be gained by the electoral government was, that the burgesses of other Brandenburg towns should be treated a little better than men from Stettin or Breslau. It needed an ordinance of the prince in 1443<sup>1</sup> to open the Frankfurt Leather Fair to the Berlin shoemakers; and the Elector added, apologetically, that this should not prejudice the claims of the shoemakers of other towns who had not yet frequented the Frankfurt fair. The surrender of inheritances by one town of the Mark to another, without the enormous withdrawal-charges hitherto made, was the gradual result of treaties between the towns themselves. As late as 1481 the men of Spandau introduced a high withdrawal tax, in order to prevent their rich men from trying to get burgess-rights in Berlin and transferring themselves thither.<sup>2</sup>

Thus the question at issue was not, at the outset whether the various town privileges should be blended in one body of rights enjoyed equally by every citizen of the territory, but simply whether the princely government should secure a moderate increase of its power as against each particular town. Efforts in this direction are to be seen in the approval by the prince of the town councillors the enquiries into their administration, beginning about 1600, and the practice of granting special privileges and concessions. This last had gained a firm foothold from

<sup>1</sup> Riedel, i. 23, 224.

<sup>2</sup> *Ib.* i. 11, 118.



about 1500; and in some respects it prepared the way for, and helped to create, that right of issuing general ordinances which was recognized as belonging to the prince in the seventeenth and eighteenth centuries. The charters of privilege with regard to markets and mills, apothecaries, printers, copper-hammers, paper mills, and the like, the concessions made to persons establishing industries in connection with their estates, the personal permits issued to individual artisans and dealers of all sorts, allowing them to carry on their business without being members of a guild,—these were all mere inroads by the prince into the exclusive town economy; and yet, if they were only numerous enough, they necessarily made the territorial authority, rather than the town council, the chosen guide of the people in its economic life.

But the princely power not only obtained an increase of its influence in these individual cases; it had the same experience more widely, in its character of mediator and peacemaker. Abundant opportunity was presented for its intervention by the conflicts between town and country, which were especially bitter in the northeast of Germany. The old regulation of the town market, the mile-right, the prohibition of industry in the country, the obligation imposed, if possible, by every town upon the people of the vicinity to carry thither all their produce and buy there all they needed,—all this gave frequent occasion for intervention. The proceedings of the territorial assemblies from the fifteenth to the seventeenth centuries in Brandenburg, Pomerania, and Prussia are largely occupied with matters of this sort. The rural districts, and

the squires (*die Ritterschaft*) in their name, complain that the countryman is shamefully cheated when he comes to sell his corn, wool, and cattle in the neighbouring town, that price-lists are drawn up without the assistance of representatives of the squires, that they are overreached in weight and measure, that the craftsmen unite against them, that countrymen are prevented from selling to strangers and dealers at their own doors, that all the legislation as to markets and forestalling is devised to their hurt, as in the rules against Scotch and Nuremberg peddlers, that the towns receive runaway peasants, without license from their lords, that the gilds want to pursue concealed craftsmen in the country without paying any regard to the court of the lord of the manor (*das Gericht des Gutsherrn*), that by the prohibition of brewing in the country peasants and knights are compelled to buy beer in the towns and are there overcharged, that people have to make payments in barley when it would be more profitable to export it, and so on, and so on.

The towns take their stand on their "good old laws," upon their privileges, which, they declare, are being continually encroached upon by permits to country craftsmen, by country brew-houses, by foreign peddlers, loose rabble, horse dealers, and cattle dealers; the nobility themselves, they say, carry on trade, buy the peasants' produce and sell it to travelling dealers, and get the iron and other things they need from the Scots; moreover, the nobles claim the right of exporting their produce whenever they like, to the hurt of the towns. Not content with this, the towns complain of the government



itself,—that it sells the wood of its forests dearer to the towns than to its vassals, that it authorises foreign dealers and peddlers, that it is not sufficiently severe and exclusive in its treatment of the Jews, and that it does not keep the nobles out of trade.

When matters like these were being all the time dealt with in the legislative assemblies in long-winded memorials and counter-memorials, it was natural that the municipal prohibitions of export or import, and the prohibitory regulations of the town should play an important part in the discussions. It was not a matter of indifference to the rural districts in Pomerania and Magdeburg if one fine day the council of Stettin prohibited the export of corn, and it was of the greatest moment to the townsmen whether the nobility could claim exemption from such a prohibition. It was of importance for the whole country that, in East Prussia, at the beginning of the fifteenth century, each country-town could impose a prohibition of export on the neighbouring country-town without waiting for the sanction of the High Master (*Hochmeister*).

From all this confusion arising from local economic policy there was only one way out: the transference of authority in the most important of these matters from the towns to the territorial government, and the creation of a system of compromise which should pay regard to the opposed interests, bring about an adjustment on the basis of existing conditions, and yet, while necessarily and naturally striving after a certain self-sufficiency of the land in relation to the outside world, should also strive after a greater freedom of economic movement within it.

In the Prussian lands of the Teutonic Order it was recognised as a fundamental principle as early as 1433-34, that in future no Prussian town should obstruct another in the export of corn.<sup>1</sup> In Brandenburg, likewise, the squirearchy (*Ritterschaft*) obtained for themselves the right of freely exporting their produce from the country as a general thing, and for the peasants, at least, a freedom of choice as to which town in the electorate, near or far, they should take their produce to.<sup>2</sup> The much-disputed question whether foreign dealers should be permitted to go about buying and selling was differently settled from time to time in different assemblies — according as the towns or the squires happened to be the stronger; but at any rate they came to resolutions which, whether they threw open the country or closed it, bound the whole of it equally.<sup>3</sup> The keen opposition of the agrarian interests to the old town policy, the advocacy by the agrarian party of free peddling, of a reform of “guest-right” (*Gastrecht*)<sup>2</sup> and of the law as to markets and forestalling, led in Brandenburg, Pomerania, and Prussia, — partly in consequence of the strength of the squirearchy, partly in consequence of the increase of traffic and of general prosperity, — to a more considerable limitation of town privileges before the Thirty Years’ War than was the case for some time after it: for the frightful

<sup>1</sup> *Acts of the Prussian Assembly of Estates (Ständetag)*, i. 160, 605, 655, et al.

<sup>2</sup> Resolution of the local assembly (*Landtagsabschied*) of 1536 and 1540; Mylius vi. 1, 36, 59.

<sup>3</sup> See on this point the instructive essay of H. Riemann, *The Scots in Pomerania in the 16th and 17th centuries, and their conflict with the gilds*, *Zeitschr. f. preuss. Gesch.* iii. 597-613.

economic retrogression which the war caused, seemed to call for the systematic employment of every possible means for encouraging the industrial life of the towns. But every success of the squirearchy in securing parliamentary resolutions or governmental ordinances meant a freer traffic in the country and greater liberality towards strangers. The fundamental principles which had governed legal relations between town and country remained, indeed, unchanged. Thus the belief in the hurtfulness of forestalling, — which did nothing, it was thought, but send up prices, — passed over almost intact from the town statutes into the law of the land. Nevertheless, it was an essential change that a regulation that in 1400 rested on a confused congeries of local regulations, customs, privileges, and alliances, became, about 1600, a law of the land (*Landrecht*) which encompassed, with tolerable uniformity, the whole territory.

Associated with the transformation described above was the loss of their staple privileges by all the small towns in the fifteenth and sixteenth centuries. They had employed them against competing towns in their neighbourhood regardless of the fact that they belonged to the same territory. As early as 1450 Frederick II. complained that, in contempt of his authority, the men of Spandau demanded *Niederlage*<sup>1</sup> from the burghers of Cologne and Berlin.<sup>2</sup> The staple privileges of Spandau, as well as those of Oderberg, Landsberg, Eberswald, Tangermünde, and Brandenburg, and even those of Berlin were, by 1600, evaded or abolished. Oderberg, in 1634, formally surrendered the right of demanding *Nieder-*

<sup>1</sup> [Deposit of goods *en route*. See *supra*, p. 10.] <sup>2</sup> Riedel, i. 11, 109.

*lage*, in return for a grant by the elector of a court of lower jurisdiction.<sup>1</sup> These were all signs of progress in the matter of internal freedom of trade. Only the right of *Niederlage* enjoyed by Frankfurt survived; and this was even enlarged: for, as its rivals were Stettin and Breslau and other trading towns outside the country, the electoral authorities thought it their duty to support it.<sup>2</sup>

Although in this matter territorial policy treated the greater centres of trade differently from the smaller, and regarded their interests as, in a measure, the interests of the whole country, in other directions the government of the prince had to oppose even these larger towns—as in the matter of import and export, prohibitive regulations, and the like. The greater and more important the town might be, the less possible was it to allow it to have an independent policy in these respects.

Though the efforts of Joachim I. to secure freer passage into the houses of one town of the beer made in another had little success; though the burghers of Berlin, even in the first half of the eighteenth century, desperately resisted any further allowance of the competition of Bernau; though the government were unable to obtain equal rights in fairs for all the traders and craftsmen of other Brandenburg towns; nevertheless, it was quite distinctly recognised, even in the sixteenth century, that the decision whether grain, wool, woollfells, and other wares could be imported or exported belonged to the electoral government. In the neighbouring territories, on the con-

<sup>1</sup> Riedel, i. 12, 380.

<sup>2</sup> See on this point my remarks in the *Zeitschr. f. preuss. Gesch.* xix. 207–221.

trary, especially in Pomerania and the archbishopric of Magdeburg, we see the governments waging a long contest over the question whether the chief towns, Stettin and Magdeburg, or the government of the country, or both together, had the right to prohibit trade in corn. Such a prohibition was issued by the town of Brunswick in the sixteenth century quite independently, and, indeed, very frequently.

In Pomerania the struggle was ended in 1534-5 by arbitration: if the Stettin council wished to forbid export they must do so before Shrove Tuesday; the Duke retained the right both of suspending the prohibition altogether and of allowing exceptions.<sup>1</sup> In the archbishopric of Magdeburg we find, in the time of the Elector Albert, that sometimes the town requested the government, and sometimes the government requested the town, to forbid export, and that there was an attempt to arrive at joint action by joint deliberation; yet, as early as 1538, the archiepiscopal governor (*Statthalter*) after a bad harvest imposed a duty of a quarter of a gulden per wispel on the export of corn to last until next Midsummer's Day, so as to keep a sufficient supply in the country and yet "not altogether prevent the peasant from making a livelihood." Under the succeeding Brandenburg "administrators" of the archbishopric, the right of the government to prohibit export in times of scarcity was as undoubted as in most of their other territories.<sup>2</sup>

In Brandenburg the following rules were established during the course of the sixteenth century. In winter, from Martinmas (Nov. 11) to the Feast of the Purification

<sup>1</sup> Thiede, *Chronik der Stadt Stettin*, 464.

<sup>2</sup> Magdeburg Archives.

(Feb. 2) no exportation should take place; Scheplitz connects this with the cessation of navigation during the winter, the universal custom in earlier times. Moreover, the peasants were never to export; only the squires (knights), the prelates, and the towns. In time of dearth the Elector had the right of embargo; but exceptions were allowed, as, for instance, to the towns of Seehausen, Werben, and Osterberg in the Old Mark (1536), both on account of their position on the frontier as well as because they had paid a considerable sum for the privilege; the Margrave John granted to the Frankfurters, in 1549, a similar privilege with regard to his appanage, the New Mark. The through transport of corn not produced in the Mark was allowed at any time upon the production of certificates of origin; and the Frankfurters were permitted at any time to export barley in the form of malt, even if it came from the country itself.<sup>1</sup>

While thus corn-exporting territories, like Pomerania, Magdeburg and Brandenburg, had constant recourse to prohibitions of export, though they were temporary only, these prohibitions rested on the idea of the territorial harmonising of production and consumption; and, when the needs were different, recourse was had without hesitation to an even more stringent and, in the last resort, permanent prohibition; as Pöhlmann has described in the case of Florence,<sup>2</sup> and Miaskowski for the Swiss cantons.<sup>3</sup> The

<sup>1</sup> Mylius, Riedel, and Scheplitz, *Consuetudines Electoratus et Marchiæ Brand.* (1617), have a pretty extensive collection of material on this subject.

<sup>2</sup> *Die Wirthschaftspolitik der Florentiner Renaissance* (1878).

<sup>3</sup> *Die Agrar-, Alpen- und Forstverfassung der deutschen Schweiz in ihrer geschichtlichen Entwicklung* (1878).



Netherlands prohibited the export not only of native horses, weapons, and war-material, but also of native corn, gold, silver, quicksilver, copper, and brass. In Brandenburg, also, hops were much more often compulsorily kept back than corn. Everywhere the prohibition of the export of leather and cattle played a great part. It was always the same conception that was involved: the resources of the land were thought of as a whole, which ought, first of all, to serve the needs of the country; they ought not to enrich a few individuals, but serve the home producer and the home consumer at a fair price. The regulations hitherto employed for this end by the towns were now transferred to the territories. As hitherto the town had laid an embargo, so now the territory: as the town had, at times, prohibited the import of foreign beer and wine and manufactured articles, so now the territory: as the town had hitherto maintained an elaborate system of differential tolls, so now the districts and territories set out upon a similar course. Berne threatened its *Oberland* (or subject territory) with an embargo on corn and salt, if it did not bring all its butter to Berne. As Nuremberg forced to its own market all the cattle that came within a circuit of ten miles;<sup>1</sup> as Ulm did not allow a single head of cattle fed on the common pasture to leave its territory;<sup>2</sup> so Florence secured for itself all the cattle sold from the subject districts without permitting their return, and exacted sureties from the owners of the great flocks driven to the Maremme that they would bring them

<sup>1</sup> Baader, *Nürnberger Polizeiverordnungen*, 201.

<sup>2</sup> Jäger, *Schwäb. Städtewesen*, 728.



back within the state boundaries a third larger. In the duchy of Milan, an official permission was necessary even for the transport of grain from place to place, so that the country might remain sure of its food.

✓ This transition from municipal to territorial policy in Germany is most clearly shewn in the matter of the raw material for its most important industry, to wit wool. When the crisis began for the German cloth-manufacture, — as foreign competition became more and more serious, as the local industry, which was carried on everywhere, began to decay and its place to be taken by a more concentrated business confined to places peculiarly well suited for cloth-making (1450–1550), — the towns tried at first to render the export of wool difficult or to regulate it for the benefit of the home industry.<sup>1</sup> The impracticability of such a local policy soon shewed itself. Thereupon the Empire itself made a fruitless attempt to prohibit the export of wool (1548–1559); but soon abandoned the matter to the larger territories. Würtemberg, Bavaria, Hesse, Saxony, and Brandenburg then tried by repeated laws and ordinances to hinder export for the benefit of the home producer; and not only that, — even the importation of cloth was partially forbidden. The wool trade and soon afterwards the cloth industry of the whole country received a territorial organisation. We have no space here to give an account of the efforts of Brandenburg in this direction; they begin as early as 1415 and 1456, and end with the famous wool laws of 1572–1611, which, however, disclose to us only a part of the manifold struggles and

<sup>1</sup> Schmoller, *Die Strassburger Tucher- und Weberzunft* (1879), 506.

endeavours with regard to the matter which marked the period.<sup>1</sup>

Behind all the efforts I have described lay the conception that the territorial trade, the territorial industry, and the territorial market formed a united whole.<sup>2</sup> All the regulations already mentioned, however, did but touch, one after the other, particular groups of people. The currency system, on the other hand, touched the whole body of the prince's subjects. The transition from a municipal to a territorial currency in Germany likewise belongs to the period from the fifteenth to the seventeenth century, and is one of the most important, and yet one of the most obscure, parts of the constitutional and economic history of the territories. The course of the development, as it appears to me, after the extensive, but by no means complete, study I have made of it, I may briefly sketch as follows:—

With the imperial right of currency and a uniform imperial standard for its theoretic bases, there had, as a matter of fact, grown up in the course of the twelfth, thirteenth, and fourteenth centuries a system of altogether local currencies. These, however, were not put into a decent condition, either from the technical, the financial, or the economic points of view, until they passed pretty

<sup>1</sup> The state archives of Berlin contain a rich material which I have already worked-up into a connected statement.

<sup>2</sup> The idea that territorial connection involved free traffic within the land was present as early as 1451; as we may see from a document of that year, given in Riedel i. 20, 206, which sought to regulate the future addition of Beeskow and Storkow to Brandenburg mainly from an economic point of view, and in the direction of freedom of trade between the electorate and these "circles."

generally out of the hands of the princes, and under the authority or control of the towns. It was the towns and their markets that needed most urgently a well regulated and stable currency; they it was who got rid of the ceaseless depreciation that had hitherto been common; to them was due "the perpetual penny" (*der ewige Pfennig*),<sup>1</sup>—in Brandenburg, among other places, for there, also, the currency (by the help of Bismarck's ancestors) passed over to the towns. It was the town money, that of Lübeck, Brunswick, Erfurt, Nuremberg, Halle, and other places, that was for the time, the most satisfactory. The towns were rich enough to coin abundantly, and were intelligent enough to understand the evil results of a badly managed currency and the harm that flows from fiscal trickery.

But this whole movement could last only as long as traffic was mainly local, and also scanty. "The penny is only taken where it is struck" (*der Heller gilt nur, wo er geschlagen ist*) was a legal proverb in the Middle Ages; and strange coins, even those from the nearest town, had to be taken to the exchanger or *Hausgenosse*,<sup>2</sup> who sat at his table in front of the mint, and there exchanged them for new coins of the place. But this rule became hardly practicable in the fourteenth century and quite impracticable in the fifteenth. Every little currency-area was flooded with cheaper pennies by its neighbours, whenever they could

<sup>1</sup> [The *ewige Pfennig* was a currency which the towns that issued solemnly undertook never to depreciate.]

<sup>2</sup> [*Hausgenosse*, literally "house-companion," was the designation moneyers or minters in several German cities, and it is variously explained by some as going back to the time when the mint was in the house of the prince. In the later Middle Ages their work was chiefly that of exchangers]

manage it. The disadvantages of localisation began to surpass the advantages of a municipal currency; even the towns themselves entered upon a disgraceful competition as to which should debase the coinage most. Then followed numberless currency treaties between various towns and princes. Foreign coins of better quality, like the Italian and Hungarian gold gulden and the Bohemian groschen, forced their way in, and came to be treated as a kind of universal currency as contrasted with the changing and usually bad small coins of each particular place.

The German kings and emperors did indeed seek to create some sort of uniformity of currency—at any rate in the southwest: the gold gulden was regarded as an imperial coin; the imperial currency ordinance of 1521 was a plan pressed upon the Council of Regency (*Reichsregiment*)<sup>1</sup> by the mint officials of western Germany. But in spite of later imperial ordinances, and the attempt to exercise control over the currency of the several Estates by means of the Circles (*Kreise*),<sup>2</sup> the empire was unable to bring about a real unity. Here, also, the victory be-

<sup>1</sup> [As Mrs. Austin has remarked, "The translation commonly in use for *Reichsregiment* (Council of Regency) does not convey any definite or correct idea to the mind of the reader, nor does any better suggest itself." It was the supreme executive council of the empire, established, and, for a time, kept in existence, by the party that sought to strengthen the federal constitution of Germany. For its establishment in 1500 and supersession in 1502, its re-establishment in 1521, its difficulties with the knights and cities, and its practical downfall in 1524, see Mrs. Austin's trans. of L. Ranke's *History of the Reformation in Germany*, i. 152-159, 503-506; ii. bk. iii. chs. 2 and 4.]

<sup>2</sup> [The division of the empire into provinces, known as *Kreise* or Circles, dated from 1500. There were six of these at first, and the hereditary lands of the Austrian house and the electorates were excluded. In 1512 these were all brought into the system as four new circles. Their function was origi-

longed to the territories. The powerful and energetic territorial governments were able, step by step, to deprive the towns of their rights of coinage, to make the mint-masters once more the officials of the prince of the land, and to introduce a uniform system for at least a few hundred square miles. Upon the extent to which they succeeded depended in large measure the trade and prosperity of the several lands in the sixteenth century. Those princes who happened to possess rich silver mines, like the Saxon rulers, had the easiest task; and they naturally showed most antipathy towards the attempts to bring about a uniform currency for the empire or the several circles. The Hohenzollern princes seem to have resumed the right of coinage, and to have coined for themselves in the Mark of Brandenburg, at any rate from 1480 or 1490 onward; while in the lands of the Teutonic Order the towns had never completely and permanently secured the right. It is mentioned as an exception in the case of Berlin, that it struck some small coins on its own account from 1540 to 1542, and again, but for the last time, in 1621. In Pomerania, Bogeslaw disputed the privilege of Stralsund in 1504; and towards 1560 the town had lost the right. Stettin, in 1530, had to recognise that, even in the time of the father of the duke then ruling, the prince had refused, for weighty reasons, to allow the town to have its own currency.

nally only to facilitate elections to the *Reichsregiment* and *Kammergericht* (Imperial Chamber); but various administrative and executive duties were added later. The division into circles remained in its essential features down to 1803. See Ranke, *History of the Reformation*, i. 153-154, 214-215 and elsewhere.]

The decisive thing was the exercise of the princely right of coinage by the territorial governments themselves. Mere ordinances,—such as those set forth as early as the reign of Frederick II. of Brandenburg, that Rhenish gold gulden were to be taken at such and such a rate, but that, as a rule, people were to reckon in Bohemian groschen,—were useless. The essential matter was to replace municipal and foreign coins by those of the prince in sufficient quantity. Here, also, it appears to have been Joachim I. who opened for Brandenburg the way to an energetic policy in the matter. He not only had gold gulden struck in Berlin, but also silver coins, both heavy and light, at seven different mints. Negotiations with Saxony for a uniform currency failed in their purpose. The standard in the Mark was lighter. The Brandenburg currency edict of 1556 did, indeed, create a new coinage with new subdivisions, which harmonised with the imperial currency. But the idea of a separate territorial currency system was still dominant and so remained. Only certain foreign coins were admitted, and these only at the value set upon them by the territorial authority. The other territorial and town coins were forbidden. It was from time to time strictly ordered that the coins that had been recently forbidden should be disused at a certain date, and exchanged at the mint. The prohibition of export plays a smaller part in Brandenburg than in Saxony; probably because, as the coins were lighter, there was less temptation to send them out of the land. But penalties were frequently (1590, 1598) threatened against Jews and Scots who bought up the old silver and exported it.



The earlier universal practice of the towns, with regard to the prohibition of foreign currency, or the exportation of their own, the right of preëmpting old gold and silver, and similar regulations, was now, naturally enough, copied by the territorial governments. Whether and how far they succeeded with all their penal mandates, depended, of course, on the movements of trade, and the relation of the nominal value of the several coins to the estimate placed upon them in neighbouring lands and in foreign trade. But undoubtedly it was the prevalent idea, with rulers and ruled alike, that it was the duty of the government to provide the land with a good and uniform coinage, and to close it against the outside world in this respect, even if not in the matter of trade.

This currency system for a whole principality was, then, the institution which, — together with the financial system for a whole principality to be next described, — most distinctly drew the circle which bound the territory into one economic body.<sup>1</sup>

As to the finances, here the participation of the Estates in their control tended towards centralisation, in even greater measure than the activity of the princes and their

<sup>1</sup> Besides the book of Pückert on the currency of Saxony from 1518 to 1545, there is really no useful literature. B. Köhne, *Das Münzwesen der Stadt Berlin*, in Fidicin, *Histor. diplom. Beiträge zur Geschichte der Stadt Berlin*, iii. 429 *et seq.*, is as unsatisfactory as Leitzmann's *Wegweiser auf dem Gebiete der deutschen Münzkunde* (1869). Besides these, Grote, Mone, Hegel, and others give us a good deal of information, but nothing that seizes the economic significance of the currency of the 14th to 16th centuries as a municipal, a territorial, and an imperial institution. On Brandenburg much has been published, by Mylius, Riedel, and Raumer, but not all, by any means, that is contained in the Berlin archives.



officials. Yet even this initiative of the court is not to be undervalued. Where thrifty princes, carrying on a paternal rule, duly regulated and extended the official body (as in Saxony the Elector Augustus, in Brandenburg the Margrave John), this activity was of no slight importance for the welfare of the land, and the consolidation of its economic forces. Many of the princes of the time were interested in technical improvements and inventions, had their own laboratories and alchemists, sought to establish mines, and erected mills, glassworks, and saltworks; here and there magnificent castles and fortresses were built with the aid of Italian architects and foreign artists and artisans. This put the household of the prince and the service of the prince, with its increasing number of officials, in the centre of the economic life of the territory more distinctly than it had ever been before, and left behind a distinct influence for generations. Thus the Margrave Hans, in his will, prides himself not unjustly upon the fact that during his reign both the country and the people had waxed great, and that they had never stood so high before in revenue and resources.

As to territorial taxes and their development, so little of the material for the history of taxation in the several states has been worked through, up to the present, that a clear and complete survey is still hardly possible.<sup>1</sup> Nevertheless, this much is already clear that the construction of municipal systems of taxation, which belongs to the period

<sup>1</sup> For Brandenburg, cf. Schmoller, *Die Epochen der preussischen Finanzpolitik* in the *Jahrb. f. Gesetzg.* N. F. i. 33-114. A history of the direct taxes of Bavaria up to 1800, by L. Hoffman, appears in my *Forschungen*, iv. 5.

from the thirteenth to the fifteenth century, was followed by a period wherein territorial systems were constructed; that the protracted struggles by which a system of direct and indirect territorial taxes was created belong chiefly to the period from the fifteenth to the seventeenth century; that these new systems in part abolished, in part profoundly modified, the old municipal systems; and, finally, that they created links and bonds of union between town and country, between circle and circle, and between the various districts of the same state, such as fundamentally affected economic life. To begin with, it could not fail to exert a very great influence, that the Estates met together in periodical assemblies, that they became accustomed, in granting the taxes, to look upon the country and its well-being as a whole, and to distribute, alter, or create taxes with that in their minds. The same must be said of the inspection of the whole land by commissioners of the Estates, for the purpose of preparing an assessment which should deal with property everywhere on common principles. And, finally, it is significant that in the great struggle for freedom of taxation, regard was paid to all other contributions by the privileged classes, in person or in purse, to the needs of the country. In no other field of political life was the principle so often invoked that the subjects were to regard themselves as *membra unius capitis*, as in relation to taxation and to the other contributions demanded from subjects *in natura*.

In the towns the development would seem to have followed some such course as this: that the thirteenth century was mainly marked by the devising of the direct property tax;

that thereupon in the beginning of the fourteenth century *Umgelder*<sup>1</sup> and other indirect taxes came to the front; once more to be rivalled, during the course of the fourteenth century, by the increased prominence of the property tax. Much the same, I cannot help thinking, must have been the line of territorial development. To the fourteenth and fifteenth centuries belongs the struggle for the definite establishment of the *Landbeden*,<sup>2</sup> the *Landschösse*,<sup>3</sup> and other property taxes, based on yardlands (*Hufen*), number of cattle, houselots, and property valuation. These were constantly being tried in a rough-and-ready way in imitation of the older town taxes, without any great result. Fixed and regular contributions, paid annually but of very small amount, appear side by side with heavier subsidies granted every two or three years or so, for some particular time of stress or war.

To the century, next, from 1470 to 1570, belongs the attempt (for which there is evidence everywhere) to create a system of *indirect* taxes for the territory; and this necessarily led to a conflict with the indirect taxes of the towns and the trade policy based upon it. The prince's monopoly of salt, involving as it did a shutting-up of the country against the outside world, together with the beer

<sup>1</sup> [The *Umgeld* (or *Umgelt*, *Ungeld* or *Ungelt*) was a tax on the consumption of certain commodities, such as beer and corn, which played an important part in German city finance throughout the Middle Ages.]

<sup>2</sup> [The term *Bede* or *Bete*, for which the Latin equivalents were *precaria* and *petitio*, points to the original character of the tax as in theory a more or less voluntary contribution of the subjects, needing to be specially asked for and consented to.]

<sup>3</sup> [*Schoss* is possibly connected etymologically with the English *scot*, in the phrase *scot and lot*.]

tax, the excise on wine, and the various tolls occupied the foreground. Of the changes in the system of tolls, particularly in Brandenburg, I have given an account in another place, and I have tried to shew how the older system, which had become municipal and feudal, gave way entirely before the new territorial system during the period from 1470 to 1600.<sup>1</sup> This latter did, indeed, become more and more purely fiscal in its character, especially in the gloomy years 1600–1640; yet it continued in some measure to be affected by economic considerations. Of equal importance for Brandenburg was the introduction of the beer tax, which from 1549 constituted the centre round which revolved the whole administration by the Estates of the territorial debt. The application in all places of the same rules in levying it, tended to bring about everywhere a uniform organisation of the business, — then among the most flourishing and important of town industries. As there was a large sale of Brandenburg beer in foreign parts, the heavy taxation imposed upon it rendered a gentle treatment necessary of the exporting towns on the frontier: as early as the years 1580–1620 there was some serious discussion as to the consequences of the beer tax here and in neighbouring states, and, indeed, of the effect of such territorial taxes in general upon commercial and industrial prosperity. The administration of the beer tax fund (*Biergeldkasse*) by the Estates grew into a credit-system enclosing the whole land, and especially the funds of the several towns, within its network. Whoever happened to have any idle cash brought it to the district

<sup>1</sup> *Zeitschrift für preussische Geschichte und Landeskunde*, xix. 198–207.

authorities, who used it to meet the never-ending deficit; thousands and thousands of gulden were every year withdrawn and paid in again. The debt office acted as a bank for the whole country, just as the town-chest had been for the town in earlier times. The men of means throughout the land were so closely associated with this central institution, that the insufficiency of its income prepared the way for a frightful bankruptcy.<sup>1</sup>

With the financial and economic crisis of the Thirty Years' War began a new epoch in the history of territorial taxation, upon which we need not here enter. In Brandenburg and some other states, it is marked by a complete cessation of attempts to increase the beer tax, and by a sustained effort for some fifty or sixty years to develop the direct taxes, the subsidies, and the assessment on which they rested. During the period 1670 to 1700, however, as prosperity once more began to return, the tendency to develop the indirect taxes, especially the *excise*, again became predominant.

Here let us pause. Our purpose was to shew by a particular example, that of Brandenburg, that, during the course of the period from the fifteenth to the seventeenth century, the creation of the German territorial state was not merely a political but also an economic necessity. But the same results were brought about elsewhere. The several states of Holland, the French provinces, the Italian city-states, are

<sup>1</sup> Isaacsohn, *Die Finanzen Joachims II und das ständische Kreditwerk*, in *Zeitschr. f. preuss. Gesch.* xiv. 455. I have myself brought together a mass of material concerning the brewing business and its taxation.

all analogous phenomena. We have to do with a great historical process, by which local sentiment and tradition were strengthened, the social and economic forces of the whole territory consolidated, important legal and economic institutions created; by which, further, the forces and institutions thus united were led to a battle of competition with other territories, involving numerous shiftings of toll, confiscations of goods and ships, embargoes and staple-fights, prohibitions of importation and exportation and the like; while, within the country itself, old antagonisms softened and trade became more free.

To so powerful and self-contained a structure and so independent and individual a policy as the town had reached in an earlier age, and the modern state has reached since, the German territory scarcely anywhere attained. Naturally, territorial patriotism was by no means so strong as municipal before or national since; economic conditions, the methods of production and of transport and the division of labour in the fifteenth and sixteenth centuries did not necessitate so high a degree of unity in economic organisation as before in the town and afterwards in the national state. The imperial constitution of Germany, imperfect as it was, was still strong enough to hold the territories back in many ways from an independent economic policy. We have already remarked how greatly, in the case of most territories, their geographical position and boundaries hampered them in their advance towards a position like that reached by some Italian and Dutch districts. Everywhere in southwestern Germany, and to a great extent also in central Germany, the territories of



the several Estates, the dominions of the counts, of the imperial cities, of the abbots, of the bishops, and of the knights were so small, that, if for no other cause, they were bound to remain in the stage of a natural economy,<sup>1</sup> and a merely local policy. In the northeast of Germany there were, indeed, larger united areas; but in density of population, supply of capital, state of trade and transportation, mechanism of administration and general cultivation, they were, even in 1600, inferior to western and central Germany; so that in their economic institutions they remained far behind the greater states of the southwest; partly also, of course, in consequence of want of skill on the part of their rulers and other fortuitous circumstances. Not without reason did the Brandenburg ordinance concerning the privy council complain, in 1604, that, in spite of all its favourable conditions and all its navigable streams, the country was coming to be less frequented by foreign merchants, nay, even abandoned by them; not without reason did it attribute this state of things to the want of good "Polizei"; *i.e.* to an executive that was too weak, and that had too little internal and external unity. And things became even worse in the course of the great war, which not only annihilated population and capital, but, — what was harder still, — buried in ruin the beginnings of a rational economic policy for the territory, both in Brandenburg and elsewhere; weakened for many long years the

<sup>1</sup> [A "natural economy" as distinguished from a "money economy," — a distinction first dwelt upon by the economist, B. Hildebrand, — means a condition of things in which the distribution of wealth was effected without the intervention of money, as *e.g.* by payments in kind. Cf. Ashley, *Economic History*, i. pt. i. 43.]



sense of the necessity of such a policy; and everywhere strengthened local privilege and individual self-will.

Yet this very time, — the second half of the sixteenth century and the seventeenth century, — was an epoch which gave every inducement for an economic transformation. The way was already clear, out of the narrow circle of the small territory into the larger union of forces possible only in the great state. An immeasurable horizon had been opened to the world's trade in India and America; the possession of spice colonies, and of the new gold and silver countries, promised measureless riches to those states that understood how to seize their share of the booty. But it was clear that for such purposes it was necessary to have powerful fleets, and either great trading companies or equivalent state organisations. At home, also, economic changes, of no less importance, took place. The new postal services created an altogether new system of communication. Bills of exchange, and the large exchange operations at certain fairs, together with the banks which were now making their appearance, produced an enormous and far-reaching machinery of credit. The rise of the press gave birth to a new kind of public opinion, and to a crowd of newspapers which coöperated with the postal service in transforming the means of communication. Moreover, there now took place in the several countries a geographical division of labour, which broke up the old many-sidedness of town industry; here the woollen manufacture was grouping itself in certain neighbourhoods and around certain towns, there the linen manufacture; here the tanning trade, there the hardware trade. The old handi-

craft (*Handwerk*) began to convert itself into a domestic industry (*Hausindustrie*)<sup>1</sup>; the old staple trade, carried on in person by the travelling merchants, began to assume its modern shape with agents, commission dealers, and speculation.

These forces all converging impelled society to some large economic reorganisation on a broader basis, and pointed to the creation of national states with a corresponding policy. Germany itself had made a brilliant start in many respects, — in the matter of traffic, of manufacturing processes and division of labour, and even in its foreign trade; but neither its imperial or Hanseatic cities, nor, as a rule, its territorial states, were capable of making the most of it. Still less did the imperial power know how to set about the great task of the economic consolidation of the empire which was now so urgently called for: in the sixteenth century it was exclusively occupied in the maintenance of the religious peace; in the seventeenth century it was altogether subservient to the Austrian and Catholic policy of the Hapsburg dynasty. England's cloths were flooding the German market. Sweden and Denmark were organising themselves as maritime and commercial powers: Spain, Portugal, and Holland divided the colonial trade between themselves. Everywhere, save

<sup>1</sup>[*Hausindustrie* and *Domestic System* are terms which came to be employed in Germany and England to designate the industrial conditions destroyed or threatened by the *Factory System*, to which they presented the contrast that the work was done in the workman's home. But they are now used by economic historians as more or less technical terms to describe a stage in industrial development marked by other and even more important traits. For an account of these, following the current German classification, see Ashley, *Economic History*, i. pt. ii. (in Amer. ed. vol. ii.) pp. 219 seq.]

in Germany, economic bodies were stretching out and becoming political; everywhere new state systems of economy and finance were arising, able to meet the new needs of the time. Only in our Fatherland did the old economic institutions become so petrified as to lose all life; only in Germany were the foreign trade, the manufacturing skill, the supply of capital, the good economic usages, connections and traditions, which the country had possessed up to 1620, more and more completely lost.

And it was not simply the external loss in men and capital which brought about this retrogression of Germany, during a period of more than one century, in comparison with the Powers of the West; it was not even the transference of the world's trading routes from the Mediterranean to the ocean that was of most consequence; it was the lack of politico-economic organisation, the lack of consolidation in its forces. What, to each in its time, gave riches and superiority first to Milan, Venice, Florence, and Genoa; then, later, to Spain and Portugal; and now to Holland, France, and England, and, to some extent, to Denmark and Sweden, was a *state* policy in economic matters, as superior to the territorial as that had been to the municipal. Those states began to weave the great economic improvements of the time into their political institutions and policy, and to bring about an intimate relation between the one and the other. States arose, forming united, and therefore strong and wealthy, economic bodies, quite different from earlier conditions; in these, quite unlike earlier times, the state organisation assisted the national economy and this the state policy; and, quite unlike

tion. Even the Burgundian princes had done much for the economic unity of the land by their enlightened administration; in later times Holland and Amsterdam preponderated so greatly in power and resources, that their voice was frequently decisive and alone considered. More, however, was done for consolidation by the Eighty Years' War of Independence, and by the House of Orange in the various complicated official relations in which it stood towards the decisive economic questions of the time. The Admiralty Board (*Oberadmiralitätscollegium*) remained in existence only for a few years (1589-1593); but after this the House of Orange remained at the head of the Admiralty in the separate states; and upon the Admiralty depended not only the fleet, but also the whole tariff system, and indeed all maritime trade. Colonial policy, navigation policy, the regulation of the Levant trade, of the herring and whale fisheries, and the like, were all centralised. A glance into the rich contents of the "Resolution Book of the High and Mighty Lords the States-General of the United Netherlands" (*Placaet-Boeck der hochmögenden Herren Staaten-Generael der vereinigten Nederlande*) shews us to how large an extent the economic and commercial policy of the flourishing time of the republic was the outcome of a common Netherlandish egoism. Its rapid declension begins with the period during which there was no governor (*Stadtholder*);<sup>1</sup> and the most signal cause of this decline was the preponderance in one field after another, after about 1650-1700, of bourgeois localism and provincialism.

<sup>1</sup> [1650-1672.]

It is a consideration of the economic history of France that most clearly brings out the fact that the mercantilism that was everywhere making its way was at least as much a matter of transformation and union at home as of barriers against the world outside. Louis XI. (1461-1483) cast down the great houses of Burgundy and Anjou, of Orleans and Bourbon, resisted the narrow selfishness of the corporations, sought to bring about uniform weights and measures in France, and forbade the importation of foreign manufactures. The edict of 1539, which introduced freedom of trade in corn in the interior of France, particularly between the several provinces, sets out with the assertion that in a united political body the several districts should, at all times, help and support one another. The declaration in 1577 that trade, and in 1581 that industry, belonged to the *droit domanial* had not so much a fiscal as a centralising significance;<sup>1</sup> as was the case generally with the ordinances dating from the time of the great de l'Hôpital (Chancellor 1560-1568). Richelieu's razing of the fortresses of the nobility<sup>2</sup> has often been extolled as one of the most important steps towards internal freedom of intercourse within France; his active measures for the creation of a

<sup>1</sup> [By an edict of February, 1577, a duty, under the name of *traité domaniale*, was imposed on the exportation of grain, wine, cloth, and wool; by another of July, 1577, a *bureau des finances* was established in each *généralité*, composed of two treasurers for the domain (in the narrower sense), and two receivers-general for the customs. The edict of 1581 compelled all artisans as yet unorganised to form themselves into *métiers*, and to purchase *lettres de maîtrise* from the government, but gave master craftsmen a wider range for the exercise of their trade than had previously been permitted.]

<sup>2</sup> [1626. On the subject of this paragraph, cf. J. H. Bridges, *France under Richelieu and Colbert*. Edinburgh, 1866.]

French marine were among the most important contributions towards the development of an independent commercial policy in relation to other countries. Colbert's administration (1662-1683) was, primarily, a struggle against the municipal and provincial authorities; of whom Chérue1<sup>1</sup> says that it was they really who hindered economic progress and the improvement of trade and manufactures. The submission of the towns to a uniform ordinance, the partial abolition of the provincial Estates, the diminution of the power of the provincial governor, and his replacement by the intendent; these were measures which, like his great road and canal works, his interest in posts and insurance, in technical and artistic education, in exhibitions and model buildings created by the state, in private and public model industrial establishments, his reform of river tolls, his union of the inner provinces in a uniform customs system, —all aimed at the one thing, to make of the French people under its brilliant monarchy a noble and united body, united in civilisation as well as in government, and worthy of the name of nation. The great laws of Colbert, the *ordonnance civile* of 1667, the *édit général sur les eaux et les forêts* of 1669, the *ordonnance criminelle* of 1670, the *ordonnance de commerce* of 1673, founded the legal as well as the economic unity of France; even economically they are more important than the tariffs of 1664 and 1667, for these did not succeed even in removing

<sup>1</sup> [A. Chérue1, author of the *Histoire de l'administration monarchique en France* (1855), the *Histoire de France pendant la minorité de Louis XIV* (1878-1880), the *Histoire de France sous le ministère Mazarin* (1882-1883), etc.]



the differences between the *pays d'états* and the *pays d'élection*.<sup>1</sup>

Austria, as late as 1748, had not got beyond a very loose association of provinces. It was then determined, in imitation of the Prussian administration, that things should be different. The Prussian government had been able, since the days of the Great Elector (1640-1688), and still more during the reign of Frederick William I. (1713-1740), to create a financial, economic, and military whole, such as there was no other on the continent, and this out of the most refractory materials, out of territories lying far apart and almost hostile one to another. What is more, this was successfully carried through at the very period when the administration had set before itself the purpose of retrieving lost time within the territories themselves, and securing what many other districts of Germany had already obtained by 1600, that is, their unity and self-sufficiency. At the very time that it was engaged in Brandenburg, Pomerania, Magdeburg, East Prussia, and the Rhine provinces (Cleves and Mark), in subjecting the towns and the nobles to the authority of the state, and in creating a united *provincial* adminis-

<sup>1</sup> [The *pays d'états* were those provinces of France in which assemblies of Estates survived and retained some authority. The most important of these were Languedoc, Brittany, Burgundy, Provence, Artois, Hainault, the Cambrésis, and Béarn. These were all frontier provinces, which had been brought under the direct authority of the French crown at a comparatively late date, and had been allowed to retain a good deal of their old autonomy. Colbert was unable to secure the removal of the customs barriers between these provinces and the rest of France, which was known as *pays d'élection*, from its division into districts for purposes of financial administration called *élections*, after the officials, *élus* (i.e. *appointed* for the purpose), who presided over them.]



tration, it took in hand the task of giving the whole group of poor little territories a real political and economic unity, of taking part in European politics, and of securing, by an independent policy in trade and industry, for these northern lands, bare as they were of men, devoid as they were of maritime commerce or mines or considerable manufactures, a place by the side of the old and wealthy Great Powers. The whole character of the Prussian administration from 1680 to 1786 was determined by the way in which this state, with its small and broken geographical basis, set about combining a *national* policy in pursuit of German-Protestant and mercantilist objects, with the tasks of *territorial* rule handed down to it by the past; and by the way in which it carried out, in war and peace, in administration and economy, a national *state* policy in the "great style" with scarcely more than *territorial* means. Our present task has only been to shew how close was the connection, in Prussia as elsewhere, between, on the one side, reform and centralisation at home, the transformation of territorial economies into a *national* economy ("Volks" *wirtschaft*), and the mercantile system on the other; how, here as elsewhere, domestic policy and foreign policy supplemented one another as indispensable elements in one system.

If we pause for a while to consider this foreign and external economic policy of the European states of the seventeenth and eighteenth centuries,—which it has hitherto been the custom to regard as the essential feature of the mercantile system,—it is not, of course, our pur-

pose to describe the details of its several forms. The general features of its regulations are well enough known. Difficulties were put in the way of the importation of manufactured goods; and their production and exportation were favoured by the prohibition of the export of raw materials, by bounties on export, and by commerical treaties. Encouragement was given to domestic shipping, to the fisheries, and to the coasting trade by restricting or forbidding foreign competition. Commerce with the colonies, and the supplying of them with European wares, was reserved for the mother country. The importation of colonial produce had to take place directly from the colony itself, and not by way of other European ports; and everywhere an attempt was made to establish *direct* trading relations by great privileged trading companies, and by state aid in manifold ways. England promoted the export of corn and the prosperity of agriculture at the same time by the payment of bounties;<sup>1</sup> France hindered the export of corn for the benefit of industry; Holland, in its later days, sought to create very large stores of corn and a very free trade in corn, so as both to ensure a due domestic supply and to encourage trade. But, as we have already said, an account of these several measures would go beyond the purpose of this essay. The general features are known; the details have even yet not been subjected to due scientific investigation. Our only purpose here is to

<sup>1</sup> [From 1689 onward. Compare hereon the strong expressions of Cunningham, *Growth of English Industry and Commerce*, ii. (1892), pp. 371 seq. It is there described as "a policy exclusively English," "a masterly stroke of policy, since it appears to have occasioned the great advance in agricultural improvement which took place while it was maintained," "the one

grasp the fundamental ideas of the system; which, naturally, found varying expression, here in high duties, there in low, here in the prevention, there in the encouragement of the corn trade. The thought pursued everywhere was this: as competition with other countries fluctuated up and down, to cast the weight of the power of the state into the scales of the balance in the way demanded in each case by national interests.

In proportion as the economic interests of whole states, after much agitation of public opinion, found a rallying-point in certain generally accepted postulates, there could not fail to arise the thought of a national policy, of protection by the state against the outside world, and of the support by the state of great national interests in their struggle with foreign countries. The conception of a national agriculture, of a national industry, of national shipping and fisheries, of national currency and banking systems, of a national division of labour, and of a national trade must have arisen before the need was felt of transforming old municipal and territorial institutions into national and state ones. But, as soon as that had taken place, it must have seemed a matter of course that the whole power of the state, in relation to other countries as well as at home, should be placed at the service of these collective interests; just as the political power of the towns and territories had served their municipal and district interests. The struggle

part of the scheme known as the Mercantile System which was original to England," and "the corner-stone of English prosperity." For Adam Smith's arguments against the bounty, see *Wealth of Nations*, bk. iv. ch. v. (ed. Rogers, ii. 81 seq.); and for Mr. Hewins' criticism and Professor Cunningham's rejoinder, *Economic Journal*, ii. 698; iv. 512.]

for existence, in economic life in particular, as in social life in general, is necessarily carried on at all times by smaller or larger groups and communities. That will also be the case in all time to come. And the practice and theory of those times, answering, as they did, to this universal tendency, were nearer reality than the theory of Adam Smith; and so also were the main ideas of Frederick List.<sup>1</sup>

We are not, however, concerned just now with this universal tendency; what we want is to understand the particular form in which it then expressed itself, and the reason for it; and why it could, in later times, give way so far before other tendencies.

The great states of an earlier time display no commercial policy in the style of the mercantile system, not because the Utopia of a purely individualistic economic life possessed more reality then than later, but because they were not united economic bodies; as soon as they became such, the inheritance of such economic bodies as had previously existed, and, above all, of the town policy, passed over to them. It was not because money and money payments or industry or trade suddenly played an altogether new rôle in the days of Cromwell and Colbert, that it occurred to people to guide the course of exportation and importation and colonial trade, and to subject them to governmental control. On the contrary, it was because just then, out of the earlier smaller communities, great national communities had grown up, whose power and sig-

<sup>1</sup> [See the account of them in Ingram, *History of Political Economy*, 191-194, and the remarks of Professor Marshall in *Principles of Economics*, 3d ed., pp. 69-70.]

nificance rested on their psychological and social concert, that they began to imitate, not what Charles V. had done in Spain,<sup>1</sup> but what all towns and territories of earlier times had done, from Tyre and Sidon, from Athens and Carthage onward; to carry over what Pisa and Genoa, Florence and Venice, and the German Hanse towns had done in their time to the broad basis of whole states and nations. The whole idea and doctrine of the Balance of Trade, as it then arose, was only the secondary consequence of a conception of economic processes which grouped them according to states. Just as up to this time attention had been fixed on the exportation from and importation to particular towns and territories, so now people tried to grasp in their minds the trade of the state as a whole, and to sum it up in such a way as to arrive at a better understanding of it and at some practical conclusion. Such a grouping and combination were very evidently suggested in a country like England, where, on account of its insular position and the moderate size of the land, the national economy had early displayed its exports and imports, its supply of money and of the precious metals, as a connected whole to the eye of the observer.<sup>2</sup>

All economic and political life rests upon psychical mass-movements, mass-sentiments, and mass-conceptions, gravitating around certain centres. That age could begin to think and act in the spirit of free trade, which had left so far behind it the toilsome work of national development

<sup>1</sup> [A reference to a common assertion; found, for instance, in Blanqui's *History of Political Economy*, trans. Leonard, pp. 212 seq.]

<sup>2</sup> Cf. the essay by Dr. von Heyking, *Zur Geschichte der Handelsbilanztheorie*, 1880.



that it regarded its best results as matters of course, and forgot the struggle they had cost; an age which, with cosmopolitan sentiments, with great institutions and interests of international traffic, with a humanised international law, and an individualist literature everywhere diffused, was already beginning to live in the ideas and tendencies of a world economy (*Weltwirtschaft*). The seventeenth century had just managed to fight its way up from local sentiment to national sentiment; international law as yet scarcely existed. The old bonds which had held together Catholic states had been broken; all the intellectual movement of the time centred in the new national life; and the stronger and sounder beat the pulse of that life, the more it felt its individuality, the more inevitable was it that it should bar itself against the world outside with a harsh egoism. Each new political community that forms itself must be carried along by a strong and exclusive feeling of community; these are the roots of its strength. The struggle for self-sufficiency and independence is as natural to it as the spirit of violent rivalry which hesitates at nothing in order to come up with, to surpass, and to crush the rivals in whom it always sees enemies. It was the law of autarchy by which the commercial policy of those times was exclusively guided. The endeavour after autarchy<sup>1</sup> naturally shews itself in an especially violent and one-sided form in the youth of nations.

<sup>1</sup> [A phrase suggested by Aristotle's description of the state as *πάσης ἑχούσα πέρας τῆς αὐταρχείας*, "having reached the end" (or "result") "of entire self-completeness" (or "self-sufficiency"), *Politics* I. 2, § 8.]



The doctrine of the natural harmony of the economic interests of all states is just as false as the opinion then entertained that an advantage to one state is always a disadvantage to another. The latter was an opinion which not only had its roots in the earlier stubborn struggles between towns and territories, but was strengthened just at this time by the circumstance that the possession of colonies, of the Indian Spice Islands, and of the silver mines of America had fallen to the several nations only as the result of war and bloodshed. It seemed unavoidable that one nation should have to recede when another pressed in. In reality, all social bodies, and therefore economic bodies among them,—at first towns and districts, and afterwards nations and states,—stand to one another in a double relation; a relation of action and reaction by which they mutually supplement one another, and a relation of dependence, exploitation, and struggle for supremacy. The latter is the original one; and only slowly, in the course of centuries and millenniums, is the antagonism softened. Even to-day the great economic Powers seek to utilise their economic superiority in all their international relations, and to retain weaker nations in dependence; even to-day any half-civilised nation or tribe, among whom the English or French establish themselves, is in danger, first, of a sort of slavery for debt and an unfavourable balance of trade, and, following closely in the wake, of political annexation and economic exploitation,—though this, indeed, may turn into an economic education for it.

In the seventeenth and eighteenth centuries the relations, and especially the economic relations, between

states were particularly hostile and harsh, because the new economico-political creations were for the first time trying their strength, and because it was the first time that such considerable political forces were available for the pursuit of commercial, agricultural, and industrial ends,—forces which might seem, if only properly employed, to promise untold wealth to every state. In all ages history has been wont to treat national power and national wealth as sisters; perhaps they were never so closely associated as then. The temptation to the greater states of that time to use their political power for conflict with their economic competitors, and when they could, for their destruction, was too great for them not to succumb time after time, and either to set international law at naught or twist it to their purposes. Commercial competition, even in times nominally of peace, degenerated into a state of undeclared hostility: it plunged nations into one war after another, and gave all wars a turn in the direction of trade, industry, and colonial gain, such as they never had before or after.

It has been often enough remarked that the period of the wars of religion was followed by one in which economic and commercial interests governed the whole foreign policy of European states. It is true that even the expedition of Gustavus Adolphus to Germany was a move in the game which was being played for the trade of the Baltic. In like manner, the later wars of Sweden, aiming at the conquest of Poland, and the aggressive movements of Russia towards the Swedish and German provinces on the Baltic, were all directed towards the acquisition and domination of the Baltic trade.

As in the East Indies, the ancient source of supply for Oriental wares, for pearls and spices, the Portuguese violently pushed their way in first, annihilated Arabian trade with unheard-of brutality, and imposed upon all the Asiatic tribes and states the rule that they should carry on trade with Portuguese alone; so in later times the Dutch were able to drive the Portuguese out, to get for themselves a like monopoly of the spice trade, to keep other Europeans away by craft and by mercantile talent,—if need were, by insolent violence and bloodshed, and to hold the people of the East in commercial subjection. The heroic struggle of the Dutch for religious liberty and for freedom from the Spanish yoke displays itself, when looked at in a “dry light,” as a century-long war for the conquest of East Indian colonies, and an equally long privateering assault on the silver fleets of Spain and the Spanish-American colonial trade. These Dutch, so lauded by the naïf free-trader of our day on account of the low customs-duties of their early days, were from the first the sternest and most warlike of monopolists after the mercantilist fashion that the world has ever seen. As they suffered no trading ship, whether European or Asiatic, in East Indian waters, without a Dutch pass to be bought only with gold; as by force of arms and by treaty they kept the Belgian port, Antwerp, shut up against commerce;<sup>1</sup> as they crushed the Prussian colony

<sup>1</sup> [By the clauses in the Treaty of Westphalia, 1648, providing for “the closing of the Scheldt,” seagoing vessels were forbidden to ascend to Antwerp. They must unload at a Dutch port, and thence forward their merchandise to Antwerp by river barges. The Scheldt was re-opened by the French in 1794.]

in Africa,<sup>1</sup> and countless other settlements of other nations; so at home they forbade all herring-fishers to take their wares to any but the Dutch market, and prohibited their passing into foreign service, or taking to foreign countries the implements of their craft. Although at the beginning they had low duties on imports and exports, they resorted constantly to arbitrary prohibitions whenever they thought they could thereby further Dutch interests; in 1671 they imposed the heaviest duties on French goods; and, in the eighteenth century, when they had become too pusillanimous to wage war for their commercial ends, they resorted to the extremest protectionism. In the time of their prosperity they were carrying on war well-nigh all the time, and war for commercial ends; and they shewed more skill than any other state, in the seventeenth century, in getting out of their wars fresh commercial advantages. Their obstinate pursuit of monopoly gave rise to England's navigation law and Colbert's tariff; and attracted England and France themselves towards a like policy of pursuing narrowly mercantilist objects by force of arms. The bloody and costly wars of England with the Dutch were, Noorden<sup>2</sup> tells us, at bottom nothing but a duel over the maintenance of the Navigation Acts. The French invasion of Holland (1672) was an answer to their foolish and extravagant reprisals against Colbert's tariff.

The War of the Spanish Succession, like the War of the Grand Alliance in 1689-1697, was, primarily, the struggle

<sup>1</sup> [The possessions of Brandenburg on the Gold Coast, obtained in 1681-1683, were surrendered to the United Netherlands in 1720.]

<sup>2</sup> [Karl von Noorden, author of *Europäische Geschichte im achtzehnten Jahrhundert*.]

of England and Holland, in concert, against the growing industrial and commercial preponderance of France, and against the danger of the union of French trade with the colonial power of Spain.<sup>1</sup> It was a struggle for the lucrative Spanish-American trade which mainly occasioned the antagonism of England and France till after the middle of the eighteenth century. The supply of the Spanish-American colonies with European manufactures could only take place by means of the great West Indian smuggling trade, or through Spain, *i.e.* the Spanish port-towns. As Spanish industry supplied only a part of the need, the question was, whom Spain would allow to share in the trade,—whether it would wink at smuggling, and, if so, to what extent and by whom; whether France could circumvent England, or England France, in Spain and the West Indies. The war, also, of England with Spain from 1739 to 1748,—which, in 1744, turned itself into a war with Spain and France,—had, in the main, no other object than this, to obtain a free course for the English smuggling trade with Spanish America;<sup>2</sup> it was generally nicknamed by public opinion “the Smuggler’s War.”

The Seven Years’ War had its origin, as everyone knows, in the colonial rivalry of England and France in North America. Whether the Ohio and Mississippi should furnish the Romance race or the Teutonic with a field for colonisation and trade, whether maritime and commercial supremacy for the next hundred or two hundred years

<sup>1</sup> Cf. the instructive little paper of H. Meinberg (suggested by some remarks of T. G. Droysen) on *Das Gleichgewichtssystem Wilhelms III und die englische Handelspolitik*, Berlin, 1869.

<sup>2</sup> [Cf. Lecky, *History of England in the Eighteenth Century*, vol. i. ch. iii.]

should belong to England or France,—that was the far-reaching economic quarrel into which the great king of Prussia was drawn because he would not suffer his old ally France to attack his old enemy England in Hanover, *i.e.* in Germany. In defending Germany's neutrality in this commercial and colonial war, he was drawn into it himself; and when his brave troops defeated the French at Rossbach (1757) and elsewhere, they decided at the same time the great questions of the world's trade and of future colonial development. Without the victories of the Prussian grenadiers and the English fleet, England would not to-day have its world-wide trade, and the United States of America would not exist. It is probable that French would now be spoken alike on the Ohio and the Mississippi, at Calcutta and Bombay.

English commercial greatness and supremacy date from the successes of the war of 1756-1763. But the climax in its career of colonial conquest by force of arms, and of intentional destruction, dictated by trade jealousy, of the competing mercantile navies of France, Holland, Germany, and Denmark, was reached by Great Britain during the Napoleonic war. The commercial struggle between England and France, the shameless brutalities of the English fleet on the one side and the continental blockade on the other, form the terrible concluding drama in the age of commercial wars. Henceforward another spirit begins to make its way in commercial policy and in international morality; although the old traditions have not yet been entirely overcome, and, indeed, can never be entirely overcome, so long as there is such a thing as



independent politico-economic life with separate national interests.

The long wars, each lasting several years, or even decades, which fill the whole period from 1600 to 1800 and have economic objects as their main aim; the open declaration by the Grand Alliance in 1689 that their object was the destruction of French commerce; the prohibition by the Allies of all trade, even by neutrals, with France, without the slightest regard to international law; all this shews the spirit of the time in its true light. The national passion of economic rivalry had been raised to such a height that it was only in wars like these that it could find its full expression and satisfaction. To be content, in the intermediate years of peace, to carry on the conflict with prohibition, tariffs, and navigation laws instead of with sea fights; to give, as they did, in these years of peace, somewhat more attention to the infant voice of international law than in time of war—this was in itself a moderating of international passion.

The very idea of international law is a protest against the excesses of national rivalry. All international law rests on the idea that the several states and nations form, from the moral point of view, one community. Since the men of Europe had lost the feeling of community that had been created by the Papacy and Empire, they had been seeking for some other theory which might serve to support it; and this they found in the reawakening "law of nature." But the particular ideas for which

in the first instance men strove, and for which they sought arguments *pro et contra* in the law of nature, were mainly products of the economic and commercial struggle then proceeding.

Inasmuch as the states that were the first to obtain colonies on a large scale, Spain and Portugal, had secured from the Pope a partition of the whole oceanic world, and its designation by him as their exclusive property, the law of nature, when it made its appearance, put forward the doctrine of *Mare liberum*. But while in this way Hugo Grotius in 1609 created a legal justification for his Dutch fellow-countrymen in pushing their way into the old possessions of the Portuguese and Spaniards, the English maintained the opposite theory of *Mare clausum*, and of the exclusive lordship of England over the British seas, in order to free their necks from the competition of the Dutch in navigation and the fisheries. Denmark appealed to its sovereignty of the sea as a justification for its oppressive tolls at the Sound; and the other Baltic powers sought, on the same ground, to forbid the Great Elector to build a fleet. The great principle of the freedom of the sea did, indeed, slowly gain general currency; but at first each nation only recognised the particular theory that promised it some advantage.

Almost all the wars of the time were waged in the name of the European "Balance." And who will deny that this idea had its justification, and that it laid the foundation for the peaceful future of a great community of states? But, at first, it was a mere phrase taken from international law, and used to justify every caprice on the part of the

Great Powers, every intervention in the relations, and every interference with the fate of the smaller states: it was the cloak which hid the silent conspiracy of the western Powers to prevent the rise of a new Power, like the Prussian, and to keep its trade and its whole economic life in the bonds of dependence.

The gradual growth of the milder principle, more favourable to the small states, which is summed up in the phrase "free ships, free goods," out of the mediæval principle found in the *Consolato del Mare*,<sup>1</sup> which allowed the confiscation of the enemy's property even on friendly neutral ships, is one of the great gains in international law in the eighteenth century. But England has never accommodated herself to it, and has, with unheard-of assurance, and with decisions of the Court of Admiralty about prizes which can have been determined by nothing but national egoism, succeeded in injuring the trade of neutrals everywhere, in time of war, even when it could not destroy it.<sup>2</sup> Büsch<sup>3</sup> shewed, in 1797, that of the last one hundred and forty-four years England had spent sixty-six in the most sanguinary naval wars. They had all been more or less concerned, on the one side, with the conquest of colonies by force of arms, on the other,

<sup>1</sup> [*Consolato del Mare*, "seemingly a collection of the maritime usages of the trading peoples of the Mediterranean seaboard made at Barcelona about the middle of the fourteenth century." T. A. Walker, *Science of International Law* (1893), p. 395. See, also, Hallam, *Middle Ages*, ch. ix. pt. 2.]

<sup>2</sup> [For a different view of the action of England, and of the "reflections" that have been cast "upon the judicial impartiality of the great Admiralty judge," Lord Stowell, see Walker, *op. cit.* pp. 395 seq.]

<sup>3</sup> [Johann Georg Büsch, 1728-1800, an influential publicist and writer on trade.]

with the destruction of the neutral trade, *i.e.* the trade of the smaller states.

The blows of the English are nearest to us in time; they have also vitally affected Germany; and, accordingly, we are inclined, — measuring with the standard of to-day, — to condemn them most. On the whole, however, they were naught else than what all the more powerful commercial powers allowed themselves in their treatment of the weaker. And although we condemn the whole period for excesses in the politico-commercial struggle, and see everywhere much injustice and error mingled with it, yet we must allow that passions and blunders such as these were the necessary concomitants of the new state policy, of the developing national economies; we must feel that those states and governments are not to be praised which did not pursue such a policy, but those who knew how to apply it in a more skilful, energetic, and systematic way than others. For it was precisely those governments which understood how to put the might of their fleets and admiralties, the apparatus of customs laws and navigation laws, with rapidity, boldness, and clear purpose, at the service of the economic interests of the nation and state, which obtained thereby the lead in the struggle and in riches and industrial prosperity. Even if they frequently went too far, and were led by theories that were only half true, and gathered riches by violence and exploitation, yet, at the same time, they gave the economic life of their people its necessary basis of power, and a corresponding impulse to its economic movement; they furnished the national striving with great aims; they created and liber-

ated forces which were absent or slumbered in the states they outstripped. And it was natural that what in these struggles was brutal and unjust should be lost to sight in each nation in the glow of national and economic success. We can understand that the several peoples asked only whether a Cromwell or a Colbert on the whole furthered national prosperity, and not whether he did injustice to foreigners in some one point. And historical justice does not demand more: it gives its approbation to systems of government which help a people to reach the great goal of national greatness and moral unity at a given time and with the means of that time, at home and abroad; systems, moreover, which have redeemed the harshness of national and state egoism as regards neighbouring peoples, by a model administration at home.

At any rate one thing is clear; a single community could not withdraw itself from the great current wherein the whole group of European nations was being swept along; and least of all, one of the smaller states which was still making its way upward. In such a time of harsh international and economic struggles, he who did not put himself on his defence would have been remorselessly crushed to pieces. As early as the sixteenth century, it became apparent what a disadvantage it was for Germany that it had neither the national and politico-commercial unity of France, nor the mercantilist regulations to which both England and France were beginning to resort. And this was still more apparent in the seventeenth century. The military and maritime Powers of the West not only drove the Germans out of the few positions they had at first obtained in the

colonial world; they menaced more and more even the trade they had long possessed. The Hanseatic merchants were driven out of one position after another. One after another the mouths of the great German streams passed into foreign hands: the Rhine came under French, Dutch, and Spanish suzerainty, the Weser under Swedish, the Elbe under Danish, the Oder under Swedish, the Vistula under Polish control. The tolls imposed by these foreign masters at the mouths of the streams gave the river trade, in many cases intentionally, its last blow. While the Dutch destroyed the Hanseatic trade in their own markets by differential duties; while they and the English made the direct trade of Germans with Spain and Portugal impossible, by violence and the confiscation of ships; the Dutch misused, with increasing dexterity, their growing preponderance on the Rhine and in the Baltic to put Germany itself into a position of unworthy dependence in all matters of business. As the only or most important purchasers of German raw products and the only suppliers of Indian spices, they secured an almost intolerable monopoly, which reached its climax through the unconditional dependence of Germany on the Dutch money market during the period 1600-1750. And what Holland was with regard to Indian wares, France was with regard to manufactures and *objets d'art*. Those Hanseatic towns that were not ruled by Dutch business managers (*Lieger*) were in slavery to English creditors. Denmark sought to destroy German navigation, fisheries, and trade by its tolls on the Sound and the Elbe, and by its commercial companies. And all these conditions affected Germany most severely, not in the Thirty Years'



War, but one, two, or three generations later; when the western Powers had firmly established their new politico-economic institutions. With naïve pleasure in their maritime and commercial strength, with the support of a brutal international law, and a diplomacy which forced upon weaker and less experienced peoples, by every art of intrigue, unprofitable and perfidious commercial treaties, they openly adopted the half-true, half-false doctrine that the trade advantage of one state always was and always must be the disadvantage of another. In the period from 1670 to 1750 the bitterest lamentations were heard in Germany about this commercial dependence, about French manufactures, about the traders from every prince's land that overran the country: the torrent of complaint touching the pitiable condition of the imperial government, which was unable to give any assistance, increased like an avalanche. The state of commerce in Germany, cried the most distinguished economic writer of the time, depends upon the interest taken in it in the Reichstag at Ratisbon. At last all the voices, alike of scholars and of the people, came together in unison: There is but one way out of it; we must do what Holland, France, and England have done before us; we must exclude the foreign wares; we must once more become masters in our own house. Facts had taught them, with inexorable clearness, that,—at a time when the most advanced nations were carrying on the collective struggle for existence with the harshest national egoism, with all the weapons of finance, of legislation, and of force, with navigation laws and prohibition laws, with fleets and admiralties, with

companies, and with a trade under state guidance and discipline,—those who would not be hammer would assuredly be anvil.

The question in Germany in 1680–1780 was not whether a mercantilist policy was necessary and desirable; about that there was agreement, and properly so. The ideals of Mercantilism, though they may have been presented in an exaggerated form, and too sharply expressed in one-sided economic theories, meant, practically, nothing but the energetic struggle for the creation of a sound state and a sound national economy, and for the overthrow of local and provincial economic institutions; they meant the belief of Germany in its own future, the shaking off of a commercial dependence on foreigners which was continually becoming more oppressive, and the education of the country in the direction of economic autarchy. The victories of the Prussian army served the same end as the financial and commercial policy of the state; between them they raised Prussia to a place among the Great Powers of Europe.

The difficulties in the internal economic policy of the country consisted in this: that the Prussian state, instead of being a nation, included only a limited number of provinces; and that, at the same time as it adopted a protective system against France, Holland, and England, it also excluded its German neighbours. The real explanation is that the Prussian state was still but half-way out of the period of territorial development; was still, so to speak, in the earlier century of commercial disputes with Hamburg, Leipzig, and Danzig, with Poland, Saxony, and

other neighbouring territories; and it could make use of its natural superiority, as compared with neighbours like these, only by binding its provinces together in an enclosed and exclusive combination.

We have reached the end of these general considerations as to the historical significance of the mercantile system. Our argument rested on the proposition that, in spite of the fact that it is the individual and the family that labour, produce, trade, and consume, it is the larger social bodies which, by their common attitude and action, intellectual as well as practical, create all those economic arrangements of society, in relation both to those within and those without, upon which depend the economic policy of every age in general and its commercial policy in particular. We saw that the feeling and recognition of economic solidarity, in regard alike to those within and those without, necessarily created at the same time a corporate egoism. From this egoism the commercial policy of every age receives its impulse.

We have, in the next place, laid emphasis on the proposition that historical progress has consisted mainly in the establishment of ever larger and larger communities as the controllers of economic policy in place of small. The seventeenth and eighteenth centuries seemed to us the birth hour of modern states and modern national economies; and, therefore, to have been necessarily characterised by a selfish national commercial policy of a harsh and rude kind. Whether such a policy was rightly directed in details depended on the information and

sagacity of the personages who guided the state; whether it was to be justified as a whole, whether as a whole it had a probability of success, that depended, then as ever, on the question whether it accompanied a great upward-moving stream of national and economic life.

The progress of the nineteenth century beyond the mercantilist policy of the eighteenth depends, — keeping to this thought of a succession of ever larger social communities, — on the creation of leagues of states, on alliances in the matter of customs and trade, on the moral and legal community of all civilised states, such as modern international law is more and more bringing into existence by means of a network of international treaties.

But, of course, by the side of this stands another and not less important chain of connected phenomena, which also helps to explain the contrast between the nineteenth century on the one side, and the seventeenth and eighteenth on the other. The struggle of social bodies with one another, which is at times military, at other times merely economic, has a tendency, with the progress of civilisation, to assume a higher character and to abandon its coarsest and most brutal weapons. The instinct becomes stronger of a certain solidarity of interests, of a beneficent interaction, of an exchange of goods from which both rivals gain. It was in this way that the strife of towns and territories had been softened and moderated with time, until, on the foundation of still greater social bodies, the states, it had passed into a moral influence, and an obligation to educate and assist the weaker members within the larger community.

## APPENDIX I.

### THE PRUSSIAN SILK INDUSTRY IN THE EIGHTEENTH CENTURY.

1892.

I HAVE already attempted, some years since, to shew that the whole mercantilist policy can only be understood when it is regarded as a stage and a means in the creation of a larger economic and political community. As the mediæval city-states and the great lordships became more and more incapable of serving as adequate organs of social life, as their contests one with another degenerated into a chaos of anarchy, it became necessary that all conceivable means should be employed, — if need be, through “blood and iron,” — to erect territorial and national states. Enlightened princely despotism was the representative and leader of this great progressive movement; a movement which was destined to annihilate the freedom of the Estates and corporations,<sup>1</sup> to establish freedom of trade and great markets at home, and to combine all the resources of the country, economic as well as financial and military, in face of the foreigner. Those states most quickly became powerful and rich, which carried out this centralising tendency with the

<sup>1</sup> [In the sense in which Adam Smith uses this term; *Wealth of Nations*, bk. i., ch. x., pt. 2.]

greatest energy. Germany remained so far behind the greater Italian states, behind Burgundy, Holland, England, and France, behind even the smaller northern states, because it remained fast bound by mediæval forms ; because, moreover, even its greater territories were too small, too fragmentary, too far from the coast, to pursue this new kind of centralising policy like the western states of Europe. The Great Elector made a beginning ; he tried to create a German-Baltic coast state and a naval power, and thereby to seize the *Dominium Maris Baltici*, and the commercial control of the east of Europe. The attempt was bound to fail, because Holland, Sweden, Denmark, Poland, Austria, and Russia had interests opposed to it, and because the position and extent of the Brandenburg state, as it then existed, were inadequate for the task. Abandoning, as it must, the main feature of its plan, the attempt to secure maritime power, only one way remained open by which the young military and Protestant state could arrive at its economic ends. And this was to endeavour, upon the agrarian and feudal foundation furnished by the provinces grouped around Brandenburg, to create an industry which should rival the civilised states of the west, using for that purpose all the devices of state-aided immigration, of encouragement of industry, and of protective tariffs. Such an industry would have alike the power and the duty to control the domestic market, to raise the decaying handicrafts of the little rural towns, to free the country bit by bit from dependence on west-European trade and credit, and to strengthen its influence on Poland and the other eastern states.



On this path, then, Frederick William I. and his ministers entered with conscious purpose and energy ; and out of this school came Frederick II., who pursued the same object with greater boldness and genius. To the question how it was that Frederick regarded the silk industry as occupying so very important, if not the most important, place in such a policy, Dr. Hintze gives a simple and conclusive answer.<sup>1</sup>

Starting with the generally recognised fact that, before our modern age of iron and coal, the centre and summit of industrial development were to be found in the finer textile manufactures, Dr. Hintze shews us how economic supremacy passed from Byzantium to Italy, from Venice, Genoa, Florence, and Lucca to the greater Italian states, Milan and Piedmont, from Italy to Spain and France, and thence to Holland and England ; and how this transference was always accompanied, partly as effect, partly as cause, by the rise of the silk industry by the side of the woollen industry. In no case was the production of raw silk itself the cause of the silk industry, as is sometimes supposed ; the actual production of silk took place elsewhere ; and even in Italy and France it was a consequence of the silk industry, and came comparatively late. France and England had created their silk industries with all the political resources at their disposal and with the greatest sacrifices. In Lyons in 1667 there were counted 2000 looms, in 1752, 9404. In the great

<sup>1</sup> [Dr. O. Hintze is the author of the 3rd volume of *Die preussische Seidenindustrie*, published (through Parey, Berlin) by the Royal Academy of Sciences, 1892, as the first instalment of *Acta Borussica: Denkmäler der Preussischen Staatsverwaltung im 18. Jahrhundert*. In this volume of Dr. Hintze's is given a "Darstellung," or narrative, based upon the documents in the first two volumes.]

economic struggle of England against France, the prohibition in 1688 of the importation of French silk wares into England was, perhaps, after the Navigation Laws and the victories at sea, the most telling blow. Up to that time silk goods to the value of £ 500,000 had every year gone from France to England; in 1763 the English silk industry gave employment to 50,000 persons.<sup>1</sup> But not only the great states, the smaller ones also, desired at any price to have a silk manufacture of their own. The Italian traders who first brought the silk wares were followed by Italian weavers and dyers. Zürich and Basel, Ulm, Augsburg, and Nuremberg, had a good many silk-workmen as early as the sixteenth century. In Antwerp in the seventeenth century 2000 looms were at work. In the Netherlands, Amsterdam, Haarlem, and Utrecht became rich through this industry; and from thence it passed to Hamburg. Belgian and French refugees joined the Italian workmen in bringing it to Denmark, Sweden, and Russia. About 1700 Leipzig had already a considerable velvet and silk business; in 1750 a thousand looms were at work. In the Palatinate, in Munich, and in Vienna, J. Joachim Becher<sup>2</sup> had made various attempts to call a silk industry into existence by means of companies; all through the eighteenth century like attempts were made in

<sup>1</sup> [Adam Smith remarked in 1776 that "the silk, perhaps, is the manufacture which would suffer the most by freedom of trade," *Wealth of Nations*, bk. iv., ch. ii. For the results of the withdrawal of protection see the account of the silk manufacture in C. Booth's *Labour and Life of the People*, vol. i.]

<sup>2</sup> [An account of John Joachim Becher (1625-1685), a universal genius and somewhat of a charlatan, is given in Roscher's *Geschichte der National-ökonomik*, p. 270; on which is based the notice in Palgrave, *Dictionary of Political Economy*, vol. i.]

every German capital. But they succeeded, on any considerable scale, only in Prussia, and there especially in Berlin. It can certainly be maintained that, though Hamburg and Leipzig, Krefeld and Utrecht had greater facilities in reaching a market, in all other respects Berlin was as well fitted as many other places to support a flourishing silk industry; and also that, according to the ideas of the eighteenth century, it was bound to make the attempt as soon as the provinces of Brandenburg and Prussia were conceived of as forming an independent economic body ready for rivalry with Holland and England and France.

[Then follows an account of the measures of the government, and of the organisation and progress of the manufacture.]

We have watched the foundation, upon a stubborn soil, of an industry which reached at last a high degree of technical excellence; and this by the use of all the measures that a consistent mercantile policy could prompt. In scarcely any other case have like measures been applied with so wide a sweep and such steady persistency. In scarcely any other case have they been so carefully, step by step, adapted to the concrete conditions. What we have had under our consideration has been a domestic industry, which had already partially gone over to the factory form, but yet in which the workpeople were protected by guild regulation, state control, and governmental inspection. We have had to do with an industry producing for a great inter-state and foreign market, and with under-

takers<sup>1</sup> (*Unternehmer*) and factors<sup>2</sup> (*Verleger*) occupying the most difficult position conceivable. In spite of all the state support and protection they received, they had to contend with a stern competition, with the shifting chances of the market, and with a task, both in the matter of manufacture and in the matter of trade, of the utmost severity.

The attempt on the whole succeeded. Berlin in 1780–1806 stood almost on a level with all the other places where the silk industry was carried on. It was mainly through the silk industry that Berlin became an important factory town, and the town whose inhabitants were distinguished by the best taste in Germany. Of course people in Berlin could not yet produce quite so cheaply as the manufactures of Lyons which were three centuries older; in many

<sup>1</sup> [This term was used precisely in the sense of the German *Unternehmer* by Adam Smith (*Wealth of Nations*, bk. ii., ch. ii. — though the later specialised sense occurs in bk. ii., ch. i.). It was employed rarely and with anxiety as “not familiar to an English ear in this sense” by J. S. Mill (*Principles of Political Economy*, bk. ii., ch. xv., § 1 n); abandoned by President Francis A. Walker (*The Wages Question*, p. 244) as “an impossible term in political economy;” and for some time replaced in economic writings, following Mr. Walker’s example, by *entrepreneur*. It has recently been recalled to scientific use, among others by Mr. W. Smart (in his translation of Böhm-Bawerk, *Capital and Interest*, 1890), and Professor Alfred Marshall (*Principles of Economics*, 1890, bk. i., ch. iii.) as being, in Mr. Marshall’s words, “the best to indicate those who take the risks and the management of business as their share in the work of organised industry.”]

<sup>2</sup> [*Verleger* comes from *Verlag* = *Vorlage*, *Verschuss* (literally something shot-forward, i.e. advanced). The *Verleger* sometimes advances to the small producers merely the price of their products; sometimes he hands over to them the raw material and pays piece-wages; sometimes even the chief tool or machine belongs to him, as e.g. the loom;” K. Bücher, *Die Entstehung der Volkswirtschaft* (1893) p. 106. For this there is no current term in the English of to-day. *Factor* was very generally used in the eighteenth century

of the finer wares they were behind Krefeld, Switzerland and Holland; but they had caught up with Hamburg and Saxony. They had not yet got so far in 1806 as to be able to meet with unconcern the fluctuations produced by the great war—a period of long and terrible impoverishment, together with the sudden abolition of the gild system, of the old regulations and of all state support, as well as the removal of the prohibition of importation. But since, in the province of Brandenburg, 1503 looms were again at work in 1831, and as many as 3000 in 1840–1860, it is clear, after all, that most of the business concerns that had taken root before 1806 were able to maintain themselves for at least a couple of generations even in the current of free international competition. And the fact that in the sixties and seventies, as living became dearer in Berlin, and the competition of Krefeld and of foreign countries became more intense, most of the Berlin men of business, capitalists and workmen, turned to other occupations,—while some parts of the old industry, like the business of dyeing, maintained themselves in an even more flourishing state,—this fact is no proof that the Berlin silk industry of the eighteenth century was not in its place.

The task set before the men of that time was to secure for the real centre of the Prussian state a share in the industries, and in the forms of industry, that constituted the essential features of the higher civilisation of western Europe.

in this sense; but each industry had its own particular word for men in this position, as *e.g.* the *clothiers* of the woollen manufacture of the west of England. *Putter-out* (*i.e.* of looms), which was used in the hosiery trade of Nottingham, is perhaps the most exact equivalent of *Verleger*.]

The prosperity of the silk manufacture in a distant and isolated fragment of the state, close to the Dutch frontier, namely Krefeld, could not make up for its absence in the east. Again and again did Frederick the Great endeavour to induce the von der Leyen brothers to move eastward with a part of their business ; but all in vain. And so he had to make an effort to reach the same end in another way. In the course of his reign he spent some two million thalers over the silk industry, more indeed than for any other branch of manufacture. And what did he obtain therewith? That he had an industry which every year produced wares worth two million thalers or more, says the mercantilist ;—no ! that he created an industry which in the nineteenth century disappeared, says the free-trader. I say, the two million thalers are to be looked upon as an expenditure for schooling, as money spent on education, which engrafted on Berlin and the eastern provinces those powers and aptitudes, those manners and customs, without which an industrial state cannot endure. In these feudal territories with their impoverished country towns and craftsmen, both the undertakers and the workmen were altogether wanting who were indispensable for the finer manufactures aiming at the world-market. The introduction of foreigners and the laborious training of natives could be the work only of a political art which realised both its object and its materials. It is significant that at first we are met by Frenchmen and Jews among the factors, and by foreigners, chiefly Lyonese and Italians, among the workpeople ; while in 1800, natives prevail in both classes. It might with truth be said, that by their services to the silk industry the French



and the Jews repaid the Prussian state for its magnanimous toleration. It was in this way that the best Jewish families of Berlin, the Mendelssohns and Friedländers, the Veits and the Marcuses, gained their reputation and social position, and at the same time turned the purely mercantile Hebrew body into an industrial one: they themselves changed in character in the process, and grew side by side with the state and society. Most important of all, Berlin in 1800 had a working class of great technical skill, and a body of business men possessed of capital and ability; and this fact remained the great result of the policy of Frederick, whether or no the silk industry survived.

And it was not the least merit of that policy that it constantly, and with clear understanding, laboured towards a double end: to create a flourishing industry by state initiative and political means, and then, as quickly and as completely as possible, to set it on its own feet, and create thriving private businesses,—and so render itself superfluous. Similarly, in a place like Krefeld, where the favouring conditions afforded by the neighbourhood of the Dutch created a considerable industry without protective tariff or subsidy or regulation, the king did not think of state intervention: the most he did was to support the practical monopoly of the von der Leyen brothers, because he saw that this great house was capable of elevating and guiding the whole industry in an exemplary fashion. Moreover, his administrative wisdom, running not along the lines of rigid schemes, but in accordance with the men and circumstances before him, shewed itself precisely in this contemporary application of such divergent systems of industrial policy;

in Berlin the most extreme state control and in Krefeld complete *laissez-faire*.

The truth is, he himself, in his innermost nature, was just as much the philosophical disciple of the individualistic enlightenment (*Aufklärung*) of the period as the last great representative of princely absolutism. Under him the Prussian state was based as much on legal security and on freedom of thought and individual opinion as upon discipline, obedience, and subordination. Had he not combined these rare qualities in himself, he had not been the great king, and on his death the Swabian peasant would not have asked the naïve question "Then, who is to govern the world?"

The yelping curs, the men astride of principles, who did not understand him when he died, understand him and his policy no better now. They will still less understand the great problem of the creation of states and national economies. It lies in this: that as civilisation advances, the state and the national economy diverge more and more the one from the other, each a separate circle with its own organs; and yet that this separation must again constantly make way for a unifying guidance, a growing interaction, a harmonious joint-movement. And the secret of great times and great men consists in their taking account of this twofold development; in their leaving individuals to form themselves, in their allowing free play to individual life in its various shapes, and yet in their being able to bring the newly emerging as well as the old forces into the service of the whole. As states get larger, as social relations become more complicated, it will be increasingly difficult to reach this ideal:—that economic forces, while living for them-



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